Weekend FT

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FT NEWSPAPER of THE YEAR

FINANCIAL TIMES

Europe's Business Newspaper

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Israeli offer on deportees if uprising is halted

Israeli prime minister Yitzhak Rabin said the 415 Palestinian deportees stranded in Lebanon could return home early if the Palestinian uprising in the occupied territories was halted for nine months.

The offer came on the day Israel said it opposed a fresh Red Cross appeal for the provision of humanitarian aid to the deportees. Page 3; Israel passes jobs budget, Page 3

Top level goodbye: President George Bush arrives in Moscow this evening for a farewell summit meeting with Russian president Boris Yeltsin to be capped by the signature of an historic agreement cutting the US and Russian nuclear arsenals by around two thirds. On his way home, Mr Bush, who has been visiting US troops in Somalia, will stop in Paris and try to persuade President François Mitterrand to back a tough UN resolution allowing the enforcement of the no-fly zone over Bosnia. Page 3; US cautions Somali clans, Page 3; Picture, Page 22

NatWest: About 1,500 staff have taken personality tests in the selection process for the bank's new life insurance sales subsidiary. Page 22

Miyazawa looks away from US

Japanese prime minister Kiichi Miyazawa (left) said the country must concentrate on developing its political role in Asia, signalling that Tokyo will increasingly pursue policies independent of the US. He said Asia would be "the world's brightest spot over the next century", and Japan must cultivate its own policies to take advantage of the changes in the region. Page 3

Serbia isolated: The warlords and political masters of the rival forces in the former Yugoslavia prepared for peace talks in Geneva today as international opinion hardened against Serbia. Page 22; Faction leaders gather, Page 2

Coal contrast: Cabinet papers for 1962 released yesterday show a contrast between the Macmillan administration's attitude to pit closures 30 years ago and the programme of cuts announced by the government in October. Page 22; Details, Page 4

Twelve into one: The European Community became a 12-nation single market but was forced to concede that the free movement of people, goods, capital and services was not yet a reality. Page 2: Truckers wary of freedom, Page 2

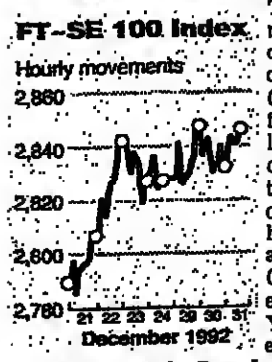
Fire kills two: Two people were killed and a third injured in a fire at a home for asylum-seekers near Stuttgart in south west Germany. The cause was not known. Arson attacks on hostels for asylum-seekers have been a hallmark of recent right-wing violence.

Thomson, UK's biggest tour operator, estimated holidaymakers had spent about £75m in the first three days this week on summer bookings – about 50 per cent up on last year. Page 4

Banque Indosuez, the French investment bank which has been a prominent casualty of the Paris property crisis, has concluded a FFr600m (£72m) sale and leaseback deal for its headquarters with an unnamed French bank. Page 9

Drugs go-ahead: Three products from three British drug companies - SmithKline Beecham, Boots and Fisons – have been approved for sale in the US. The move could bring in combined revenues of $1.5bn (£980m) a year by 1998. Page 8

FT-SE ends year on a high note



The London stock market moved confidently to the close of trading for 1992. Optimistic messages from British industry lifted the FT-SE index on New Year's Eve to within a couple of points of the year's high, at 2,846.5 for a gain of 14 points. On Wall Street trading ended quietly on New Year's Eve, with computer-guided program selling pushing the Dow Jones Industrial Average down 19.99 to 3301.11. London stocks, Page 13; US stocks, Page 19; Weekend, Page II

Arnotts, Australian biscuit maker, said it would appeal against a court ruling which clears the way for Campbell Soup, US food group, to pursue its hostile takeover bid. Page 9

Terrace burnt down: Fire destroyed a terrace of listed 17th century buildings in the centre of Marlborough. Damage was estimated at £1m.

Making news: A five-year news contract for Independent Television News, worth a total of £268m, was finally signed on New Year's Eve after a year of negotiation. Page 8; Chirpy GMTV greets the nation, Page 4

Financial markets in Europe, the US and Japan were closed yesterday. Reports on Thursday's trading in London and world markets appear inside the paper.

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Kenyan opposition parties reject election results

By Julian Ozanne and Michael Holman in Nairobi

KENYA's political crisis deepened last night as the three main opposition parties rejected election results and alleged "massive rigging". President Daniel arap Moi said they were pushing the country towards civil war.

The move by the united opposition, pledging to prevent Mr Moi from exercising power and demanding fresh elections, immediately raised the prospect of conflict in the country. Provisional results last night showed the 68-year-old president and his ruling party Kanu had won the presidential and parliamentary polls.

President Moi told reporters at State House that he denied the allegations and said the opposition leaders were "liars" pushing Kenya towards civil war.

In what was taken as an imminent crackdown, Mr Moi said he had tolerated much abuse from the opposition. "This will now cease," he said. He appealed to western governments to recognise his victory and resume aid suspended last year pending political pluralism and economic reform. "Kenya has taken a giant step forward, not without great risk and potential pitfalls," he said. "I call on the world ... to recognise our achievement."

The opposition demands coincided with a statement by the Commonwealth group of observers, further undermining Mr Moi's credibility. "It was evident to us from the start that some aspects of the election were not fair," the group said. It qualified its criticism, saying the election "constitutes a giant step on the road to multi-party democracy". Chief Emeka Anyaoku, the secretary-general of the Commonwealth, was last night poised to break off a holiday in Gambia for a crisis mission to Kenya.

A joint statement by Mr Kenneth Matiba, of Ford-Asili, Mr Mwai Kibaki, of the Democratic party and Mr Jaramogi Oginga Odinga of Ford-Kenya, the three opposition leaders, accused Mr

Continued on Page 22
Matiba profile, Page 3
Jury out on Kenyan experiment, Page 7

Major sees clear UK recovery this year

By Alison Smith

MR JOHN MAJOR predicted yesterday that 1993 would bring clear economic recovery in the UK and could mark the start of a "virtuous cycle" of sustainable growth and prosperity.

The prime minister promised that the government would seek a closer relationship with industry and commerce, and raised the prospect of a revival in areas of the UK's manufacturing base.

Interviewed on BBC radio's The World at One, Mr Major admitted that 1992 had been a miserable year for many people. Fear of unemployment was one of the brakes on restoring confidence – the task for 1993 was to bring hope to people who had lost their jobs.

Comparing the current position with the beginning of the 1980s, Mr Major held out the prospect of a number of years with steady and sustainable growth. Progress had been made in laying the foundation for recovery, he said, putting particular stress on the low inflation level.

He looked to the expansion of small and medium-sized businesses to create jobs, as they had done in the early 1980s. He said 400,000 businesses had been started even in the difficult circumstances of last year.

Mr Major promised further promotion of vocational qualifications, and forecast a broadening of the UK's industrial base. "There are areas of manufacturing where I think we can begin to re-enter manufacturing ... and that is not just a question of investment, it is partly a question of attitude."

His positive tone is part of a continuing move by the government to re-emphasise the importance of manufacturing. Earlier this week, Mr Norman Lamont, the chancellor, said the UK's manufacturing performance should be "a source of confidence and pride".

It follows a signal last month that the Budget would focus on measures to underpin industrial investment, and offer particular help to small businesses and exporters which have suffered in the recession.

Downing Street said the European single market and the completion of the agreement on international trade meant that the coming months would be a time of great challenges for business, and that Mr Major wanted the government to try to ensure that British industry did not miss out on the opportunities.

Smith urges return to 'active government' ....Page 4

Mr Major spelt out his continued support for Mr Lamont as chancellor, despite sterling's departure from the European exchange rate mechanism. That had resulted from events beyond the chancellor's control, Mr Major said – the Danish referendum, uncertainties surrounding the French referendum, and "infelicitous" briefing by the Bundesbank which directed the markets towards sterling.

The prime minister's determination to seize the initiative on the domestic agenda and put behind him the past few months in which the government was widely perceived as at the mercy of events, was also explicit. He underlined his commitment to further education and health reforms, but was more cautious in his language on privatising

Continued on Page 22

Celebrating independence: thousands of people crowded into Bratislava's main square yesterday to toast the newly created republic of Slovakia when the old Czechoslovak state was dissolved at midnight. Czechs and Slovaks vow to keep split amiable, Page 2

Single market brings air fare war

By Daniel Green

A US-style air fares war arrived in the single European market right on schedule yesterday. Lufthansa, the German state carrier, began selling cut price return tickets between every European Community member state and a dozen German cities.

Passengers can now fly from the UK to Germany for £99 return and from France for FFr999 return.

The cuts have been made possible by the Third Airline Liberalisation package, agreed last summer by EC members. Under the rules, fares can be changed without consulting governments first. Only if governments at both ends of the route disapprove of a new fare must it be withdrawn.

Lufthansa's move has already prompted three other airlines – Air France, KLM of the Netherlands, and Copenhagen-based Scandinavian Airline System (SAS) – to match the cuts, although only on flights to Germany.

Lufthansa also expects British Airways to respond, and even to undercut the fares. But BA said it had no plans to do so.

Round one of the fares battle lasts for just two weeks. The cut price offer applies to tickets sold before January 15 and is valid for flights until March 31.

Round two could follow quickly as carriers test their newly-liberalised market.

Lufthansa prepared its pan-EC marketing assault amid strict secrecy. By its own admission it is more associated with business class customers and high ticket prices and wanted to maximise the element of surprise.

The venture is already a success, it claims. In the first two days of promotion, Lufthansa's London offices received double the number of telephone inquiries than normal for the time of year.

Technology has also come to the aid of the airline. "We have electronic filing systems to computer reservations networks. We can announce a price cut today and be selling the tickets tomorrow," said Mr Frank Zehle, Lufthansa's marketing manager for Great Britain and Ireland.

It is not yet clear whether European fares can fall as far as they did in the US after deregulation in the 1970s. Landing fees, air traffic control charges and wages are often higher in Europe. On the other hand, many European carriers are state-owned and may be able to sustain losses longer than privately-owned companies.

The combined losses of European airlines last year of $1.3bn were greater than their combined profits over the past 10 years. Airline traffic has yet to show a sustained recovery following the slump caused by the Gulf crisis and the recession.

Reality belies European dream, Page 2

Zenith Data Systems seeks to win back $740m US deal

By Alan Cane

ZENITH Data Systems is seeking to regain Desktop Four, the $740m (£486.8m) US air force personal computer contract awarded under new Pentagon procedures designed to speed procurement.

ZDS, the US-based PC arm of Groupe Bull, the French state-owned computer maker, was denied the contract on Christmas Eve after appeals against the award were upheld.

Mr Thomas Buchsbaum, ZDS federal systems vice-president, said: "Even though two out of the mass of protests were granted, we are still in a better position than anyone else on Desktop Four".

Desktop Four is being closely watched as the first example of the Pentagon's fast-track procurement policy. For Groupe Bull, still losing money heavily, it represents additional revenue and a powerful confidence booster.

The contract was let first in 1991 to two US companies, CompuAdd and Sysorex Information Systems. When appeals against that decision were upheld, the contract was given to ZDS in September 1992.

Competitors including CompuAdd and Apple again appealed but ZDS, which supplied PCs under Desktop One and Desktop Two, believed its position was safe. It was surprised last week when the appeals were upheld. Desktop Three went to other vendors.

The appeals board has now published excerpts from its ruling which show that ZDS failed on two counts: First, the video monitor it proposed to supply with the 300,000 PCs in the contract did not comply with the Trade Agreements Act, a measure designed to ensure substantial US labour content in systems assembled from offshore components. Second, the board did not believe the Air Force had given enough consideration to sourcing its PCs from more than one supplier.

Mr Buchsbaum said ZDS intended to appeal against both rulings. He said he was certain ZDS monitors met and exceeded the legal requirements of the Trade Agreements Act. There were well-recognised benefits to the government of a single vendor policy including lower prices, greater compatibility between systems and decreased training requirements.

Mr Robert Dornan of Federal Sources, a marketing consultancy specialising in government business, said the onus now lay on the Air Force to clarify its requirements.

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Reality belies the European dream

Political compromises and confusion likely to delay a barrier-free common market, writes Andrew Hill

THE European Community yesterday became a 12-nation single market but was forced to concede that the free movement of people, goods, capital and services within the EC was not yet a reality.

All internal EC border checks on goods were abolished at midnight on December 31, and the European Commission declared that the Community had adopted 95 per cent of the 300 measures proposed when the single-market project was launched in 1985. Six members of the European Free Trade Associatioo (Efta) are set to join the free-trade area during 1993 when the European Economic Area comes into being.

But in practice, confusion, omissions, delays and the inevitable political compromises mean the Community is unlikely to realise the aim of the 1957 Treaty of Rome – to establish a barrier-free European common market – before the end of the millennium.

Mr Jacques Delors, the European Commission president, declined to fêta the arrival of the market. He argued that it would not be appropriate and that as a gradual process the single-market project was never supposed to end with a "big bang" on January 1 1993.

In a statement released yesterday, he said: "Wa shall have to display a more active presence together in global affairs relating to peace, liberty, respect for others and solidarity with the poor worldwide. The task is immense but it can be carried out successfully."

For the EC's 344m inhabitants – and travellers within the Community – the immediate effect of the legislation that came into force yesterday will be limited. The main change is the abolition of limits on the goods individuals can carry across internal borders.

Travellers can now return home with as much alcobol, tobacco and other goods as they want, having paid tax where they bought the items. But national anthorities can carry out spot-checks and seek proof that the goods are for personal use or consumption.

For many regular travellers within the EC, the greatest disappointment will be the failure of member states to lift passport checks at internal frontiers.

Passengers on flights within the EC will still have to show passports at airports until December at least, when most terminals should have adapted to the changes. Nine continental members of the EC will try to abolish other controls ou people by the middle of this year, if external frontier controls are strengthened. But Britain, Denmark and Ireland could well persist with passport checks beyond 1993.

To a large extent, EC businesses have already adapted to the single market. Its announcement helped fuel the boom of the late 1980s and many companies have already restructured to take account of existing and proposed legislation lifting barriers to trade.

Exchange controls in all but four EC members were lifted by mid-1990, for example. Ireland yesterday joined Portugal and Spain in lifting controls reimposed during the autumn currency crisis. Only Greece has been granted a delay in liberalising capital movements.

Alongside the abolition of border controls on goods, yesterday was the birthday of a new system for collecting and monitoring value added tax and excise duty. Tha new regime abolishes 60m forms which had to be filled in by business each year, but traders complain that new administrative burdens have been imposed. They also fear confusion about the application of the new rules will undermine its benefits during the first few months of operation.

From now on EC banks are also free to set up branches anywhere in the Community, and government curbs on the setting of air fares have been lifted – a move which could herald cheaper air travel. Utilities and public authorities also have to open all contracts, except those in services, to competition.

But recent breakthroughs allowing stockbrokers and banks to deal on stock exchanges across Europe will not come into force until 1996 at the earliest, and legislation enabling insurance companies to set up anywhere and sell policies across borders does not take effect until 1994.

Vulnerable punt faces a rough start to year

By James Blitz, Economics Staff

THE first currency to come undar attack after a quiet Christmas could be the Irish punt, as foreign exchange dealers brace themselves for a new year of speculation against the weaker currencies in the European exchange rate mechanism.

Trading on the foreign exchanges was so thin last week that most exchange rates were motionless. But the Bundesbank's unwillingness to ease monetary policy and uncertainty about the future of tha ERM left the Irish currency looking beleaguered.

On New Year's Eve, the punt was trading at DM2.6315 against tha D-Mark, close to its ERM floor of DM2.6190. In the last few days the punt has been alternating with the system's other weak currency – the French franc – at the bottom of the ERM grid.

The punt's vulnerability has been heightened by new dangers. Yasterday, tha Irish authorities carried out their pledge to abolish the country's remaining exchange controls, in line with the EC's single market programme. It was, in the words of one Irish currency dealer, "an axtraordinarily brave decision".

Until this weekend the controls had meant that foreign investors who wanted to trade in the punt had to deal in the less liquid Euromarket. Now non-residents can horrow punts in Ireland's domestic market, thereby enhancing their ability to speculate in the currency.

The arrival of the new year also brings clean balanca sheets to many bank dealers.

As the end of 1992 approached, dealers were reluctant to take big positions in the market for fear of losing the gains made in the summer currency crisis and spoiling what, in many cases, were excellent end-of-year results. But some analysts believe the currency market is on the verge of renewed speculation.

Like the French franc, the punt ought not to be a candidate for devaluation against the D-Mark. Ireland's inflation rate for 1992 is about 2.7 per cent, well below Germany's. The country's current account balance is also in aurplus.

But this is all hut ignored by dealers. The punt is under pressure because of investor confidence in the D-Mark as a currency which has never been devalued and which offers a high return, with short-term interest of about 8.75 per cent.

Analyats also helieve the punt will have to be devalued by about 7 per cent to make up for the competitive devaluation of sterling earlier in the year. Britain remains Ireland's biggest trading partner, accounting for 33 per cent of the Irish export market, and last year's 10 per cent revaluation of the punt against sterling has made life difficult for Ireland's exporters.

Mr Steve Barrow, an economist at Chemical Bank in London, believes pressure on the Irish currency is now so great that the EC's monetary committee may be forced to consider a devaluation of the currency as early as this weekend.

However, Mr Nick Hunt, head of foreign exchange trading at the Bank of Ireland in Dublin, says that speculation against the currency will not be easy, with Ireland's money market remaining illiquid due to large-scala selling of the punt to the central bank in recent months.

Speculators make a profit on a devaluation hy borrowing the currency, selling it at the prevailing exchange rate and buying it back when it is at the lower rate.

Mr Hunt says that most dealers will be forced to borrow money from the central bank as the interbank market is so illiquid. "The central bank has already made clear that it will lend at increasingly high rates if it sees sustained pressure on the currency."

With the overnight support rate at about 14 per cent, the central bank can ill afford to raise the price at which it is lending money to the domestic market, for fear of squeezing the country's economy.

But there may be limits to the price investors will pay to borrow a currency in the hope that it will be devalued.

Prime ministers of both states shy away from predicting the exact course of future dealings

Czechs and Slovaks vow to keep split amiable

By Vincent Boland in Bratislava

MR Vladimir Meciar, the first prime minister of newly independent Slovakia, appealed yesterday to Slovaks of all ethnic origins to rally behind the new country and build a legal, democratic and decentralised state.

In a televised address to the nation from the capital, Bratislava, he called on "all Slovaks, and Hungarian, Czech, Polish, Ukrainian, Ruthenian and Romany (gypsy) minorities, all the citizens of the Slovak Republic," to work together.

In Prague, now the capital of the independent Czech Republic, Mr Vaclav Klaus, the prime minister, pledged to maintain close ties with Slovakia, formerly the junior partner in the 74-year-old federal Czechoslovak state, which was formally dissolved at midnight on December 31.

Mr Klaus said in a speech to political and religious leaders in Prague castle that there would be "no Chinese wall" along the common frontier. He underlined that Slovakia's economic prosperity and the maintenance of political pluralism was also a political concern for the Czech Republic.

Mr Meciar acknowledged, in a speech which implicitly recognised the fears and reservations that many Slovaks harbour about the ending of the link with the more prosperous Czech Republic, that difficulties lay ahead for the smaller of the two new states. He assured Slovaks that links with the Czech Republic would continue to be close and that Slovakia "needed neither customs officers nor border crossings and other restrictions".

Both leaders underlined the difficulty of predicting the exact course of their future relationship. Mr Meciar pledged to honour all obligations assumed during the six months the two states moved apart and to co-operate at the highest possible level.

He and other leading Slovaks attended independence celebrations in Bratislava's central square, which began with the hoisting of the new flag and the singing of the national anthem. Thousands of people turned out to usher in both the new year and the new state.

Under a placard saying: "Kiss me, I'm Slovak," one of the throng caught the mood of the night. She said it was a special moment for all Slovaks, as people queued to smother her with kisses. Then, to the strains of The Blue Danube, the singing and dancing continued into the night.

In his speech the Slovak leader stressed the importance of relations with Austria, and underlined Slovakia's "permanent and sincere interest in good relations" with Hungary. In a reference to the economic difficulties facing Slovakia, whose heavy and arms-related industries were built largely to serve the former Soviet and Comecon markets, he warned there was "a lot to learn".

The former Czechoslovakian flag, now the banner of the new Czech Republic, is waved by a reveller in Prague's Wenceslas Square on New Year's Eve

Mr Meciar, a former communist, said it was necessary to "draw a thick line between the present and the past". While the "velvet revolution" of November 1989 had rejected a system that was bad, "we cannot reject the work of those who worked honestly undar this bad system" – an indication that he will not permit a clean break with communist-style methods favoured by the free-market orientated Czech government.

Bosnian faction leaders gather for peace talks

By Frances Williams in Geneva

THE first face-to-face talks between leaders of the three warring factions in Bosnia-Hercegovina since hostilities began last spring open today in Geneva, amid mounting international pressure for outside military intervention to halt Serb aggression.

The talks, due to break on Tuesday before resuming later this month, are aimed at thrashing out a political settlement for Bosnia based on the draft constitution prepared by Mr Cyrus Vance and Lord Owen, the international mediators, last October.

This provides for a decentralised political structure, comprising between seven and 10 largely autonomous provinces based on geographical, economic and historical factors as well as ethnic composition and strong human and minority rights guarantees.

Attending today's meeting will be Mr Alija Izetbegovic, president of the mainly Moslem Bosnian government, Mr Mate Boban, the Bosnian Croat leader, and Mr Radovan Karadzic, the Bosnian Serb leader. President Franjo Tudjman of Croatia and President Dobrica Cosic of the rump Federal Republic of Yugoslavia (Serbia and Montenegro) will also be represented.

While the politicians discuss Bosnia's constitutional future, and in particular where the provincial bonndaries should be drawn, their military advisers will continue talks begun under UN auspices in the Bosnian capital, Sarajevo. These will focus on the demilitarisation of the city, a reduction of hostilities throughout Bosnia and a lifting of the siege on Moslem-held towns.

Expressing fears that talk of military intervention could undermine the Geneva negotiations, Mr Boutros Boutros Ghali, United Nations secretary-general, this week described today's historic meeting as a "last chance" for the peace process.

However, Mr Vance and Lord Owen are said to see it as a "first chance" for top-level negotiations between the protagonists, in which a Bosnian settlement would pave the way for a broader regional accord.

The talks, which are the culmination of four months of painstaking peace-broking by Mr Vance and Lord Owen, follow last month's elections in Serbia which confirmed hard-line President Slobodan Milosavic in power, and the reluctant acquiascence by Mr Izetbegovic to sit down at the same table as Mr Karadzic whom he (and the US administration) labels a war criminal.

The Boanian governmant and Bosnian Croats are said to have moved closer in talks last weekend to drawing provincial boundaries, and Mr Vance and Lord Owen will have their own map in readiness to move the bargaining process along.

But when Lord Owan met Mr Karadzic and Mr Milosevic in Belgrade on Wednesday there was no detectable sign of flexibility in Serb demands for a single Bosnian Serb "state-within-a-state" which could at some stage become part of a Greater Serbia.

Truckers wary of their new freedom

By Charles Batchelor

MR John McCann's 38-tonne refrigerated truck was one of two dozen commercial vehicles on board the Pride of Kent, the first ferry to dock at Dover after the removal of border controls at midnight on December 31.

He had hoped for an earlier arrival in Britain but when be made his usual two-hour detour to Steenvoorde on the Belgian border to pick up his documents, the clearing agents had jumped the gun on the single market and had stopped issuing them. They advised him to wait for the first boat arriving after midnight, when the papers would no longer be necessary.

Agents are private companies that prepare export and import documents for customs. For years Mr McCann went to Steenvoorde because clearing agents there were open at more convenient times than those in Calais.

Creation of the single market means most of the 55m customs documents for trade within the European Community will no longer be needed.

However, uncertainty abounds about the impact of changes.

Mr Kenneth Ross-Steven, whose cargo of Dutch chicken livers was the last truckload to pass through Dover under the pre-single market system of controls, clntched a wad of documentation. One of his fears is that customs posts elsewhere in Europe will not be prepared to clear drivers without the traditional documentation. And with many clearing agents around Europe going out of business advice may be difficult to get if problems arise.

British Customs and Excise officers, however, are convinced of the benefits. Mr Derek Leach, in charge of VAT, excise and duty collection on freight traffic, said customs officers in Dover handled about 2.5m import and export documents a year. These would be rednced to about 300,000 documents; mainly covering non-EC shipments, he estimated. Checks for smuggling will he carried out ouly on vehicles which appear suspicious.

This has led to the loss of 550 customs jobs at Dover, Ramsgate, Folkestone and Sheerness, although most staff have been transferred to other jobs or will move to the Channel tunnel when it opens.

Bnt even the removal of most customs controls will not mean drivers have a completely free run. The immigration department has taken over some of the space occupied by customs. And controls on drivers' hours remain; Mr Ross-Steven had to wait 11 hours in Dover yesterday becanse of EC tacograph rules.

TGV link approval

FRANCE has givan the go-ahead for a high-speed TGV railway link from Paris to the German border, after years of delay caused by financing problems, Reuter reports from Paris.

The prime minister's office said the cost of the project would ba cut to less than FFr20bn (£2.43bn), from earlier estimates of FFr35bn. The construction schedule will he released next month.

The naw railway, completing a network of 160-190mph trains running south, west and north from Paris, should put Strasbourg less than two hours from Paris by the end of the century and aventually extend towards northern and eastern Europe. The European Community is to provide soma financing.

Polish coal deal

COAL miners at 65 Polish pits are to vote on Monday on a New Year's Eve agreement between strike leaders and the government which could end the most widespread stoppage in the industry's history, writes Christopher Bobinski in Warsaw.

The protocol commits the government to restructuring the coal mines' debt of 8,000bn zlotys (£334m) and providing subsidies worth 1,700bn zlotys. The government has also said it will turn to international financial institutions for modernisation loans for the industry.

The end of the 19-day strike would see the resumption of coal exports, which the government banned last week in view of possible domestic fuel shortages.

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N-weapons deal will cap Bush-Yeltsin summit

By George Graham in Washington

PRESIDENT George Bush will arrive in Moscow this evening for a farewell summit meeting with Russian President Boris Yeltsin. It is to be capped by the signature of an historic agreement cutting the US and Russian nuclear arsenals by around two thirds.

They are expected also to discuss Russia's economic reforms, as well as relations with other former Soviet republics – especially Ukraine, whose failure to fulfil its pledge to get rid of the nuclear weapons on its soil is viewed in Washington as one of the most critical threats to efforts to control the nuclear threat.

But Mr Bush has less than three weeks to serve before he hands over power to President-elect Bill Clinton, so little of substance is likely to be transacted.

Nevertheless, diplomats in Washington expect Mr Bush to use the meeting to press for Mr Yeltsin's co-operation in stepping up pressure on Serbia to end hostilities in Bosnia.

On his way home, Mr Bush will stop in Paris for dinner with President François Mitterrand, and will try to win his backing for a tough UN resolution allowing the enforcement of the no-fly zone over Bosnia – as he sought that of Mr John Major, the British prime minister, at a meeting last month in the US.

The broad outlines of the nuclear missiles agreement which Mr Bush and Mr Yeltsin will sign tomorrow, known as Start II because it builds on the framework of the Strategic Arms Reduction Treaty signed by the two superpowers in 1991, were agreed at their last summit in Washington in June.

The US and Russia have agreed to deploy no more than 3,000-3,500 strategic nuclear warheads by the year 2003, with a separate limit of 1,750 warheads deployed on submarine-launched missiles and a complete ban on the use of multiple warheads, known as Mirvs, on land-based missiles.

It has taken six months to resolve technical disagreements over issues such as the conversion of silos protecting one banned type of missile to enable them to house smaller missiles, but US officials said the delay in completing Start II has also reflected Mr Yeltsin's difficulty in selling the agreement to his military commanders and to nationalist politicians on his right.

The agreement throws out the principle of strict parity that has pervaded earlier US-Soviet arms treaties by setting a band of 3,000 to 3,500 warheads.

Mr Yeltsin said in June he intended Russia to aim for the lower end of this band, while the US is expected to end up closer to the upper limit.

US warns Somali clans as Bush visits interior

US-led forces yesterday warned warring factions in Somalia against any further use of heavy weapons after two clans exchanged artillery, mortar and heavy machine-gun fire for three hours on New Year's Eve, agencies report from Mogadishu.

The clashes on the outskirts of Mogadishu – which came on President George Bush's first night in Somalia – left at least 17 people dead on one side alone, according to US Marine officials.

The fighting was a minor clan's attempt to become a participant in peace talks, a United Nations official said. The UN also said one of Somalia's two main warlords was dragging his feet on attending a peace conference in Addis Ababa, Ethiopia, next week.

The fighting and threat of a conference boycott gave Mr Bush a glimpse of the rivalries and bloodshed that have plunged Somalia into humanitarian crisis, clan warfare, looting and famine.

Mr Bush saw the devastated interior of the country yesterday when he visited Baidoa, 190km west of Mogadishu, where he was greeted by cheering youngsters and foreign relief workers at an orphanage.

The New Year's Eve fighting, which lit up the night sky and resumed briefly yesterday morning, broke out when the Murursade clan, led by Mohamed Kanyare, tried to seize a barracks belonging to one of the main warlords, Gen Mohamed Farrah Aidid.

US Marine Col Michael Hagee said Mr Aidid's forces lost 17 fighters, with 25 wounded. He did not have figures for the other side.

Hospital doctors said up to 35 people, including several children, were wounded.

Mr Farouk Mawlawi, UN spokesman for Somalia, said Mr Aidid still had not committed himself to the Addis Ababa talks.

Mr Aidid and the other main warlord, Ali Mahdi Mohamed, signed a ceasefire agreement in early March. But they acknowledge they do not control all of their factions, and the line between clan fighters and bandit gangs is blurred.

PATTEN ORDERS INQUIRY INTO FATAL HONG KONG REVELS

GOVERNOR Chris Patten ordered an inquiry yesterday into a New Year stampede in which 20 young revellers were trampled to death, saying lessons must be learnt before the Chinese New Year festival in three weeks, Renter reports from Hong Kong.

The victims, including two teenagers believed to be British and a Japanese, perished as more than 15,000 revellers poured into a narrow, beer-slickened street after the stroke of midnight.

Three of 17 people admitted to hospital were in a critical condition, officials said.

Police watched helplessly for several minntes, unable to reach the mostly teenage victims who one officer said simply dropped from sight to be crushed underfoot.

Mr Patten said the inquiry, under high court judge Kemal Bokhary, should start early next week, as speed was essential to avoid similar chaos at the Lunar New Year, which has been marked by tragedies for two years running.

● Above: A woman trampled in the crush is helped by friends and a policeman.

Hijacker puts US in quandary

By George Graham

US officials are pondering what to do with the Cuban pilot who this week hijacked his aircraft and flew to Miami, taking with him 48 willing defectors and also some passengers and crew members who were diverted against their will.

The case again places the US government in a quandary as a result of its enduring feud with Mr Fidel Castro, the Cuban leader.

While Washington welcomes any refugee from the Castro government, it is reluctant to appear to condone hijacking, and some US airlines are agitated about the possible precedent.

The Cuban American National Foundation, a right-wing grouping of Cuban exiles headed by Mr Jorge Mas Canosa, a Miami businessman, has hired a lawyer to represent the pilot, Mr Carlos Cancio, and is acting as Mr Cancio's interpreter in interviews.

But the episode has also highlighted the contradiction between the open arms the US exteods to any Cuban defector, and the cold shoulder it has turned to thousands of Haitian refugees from the military regime that ousted President Jean-Bertrand Aristide in 1991.

The US policy of forcing Haitian refugees to return home is justified by the argument that they are, for the most part, fleeing economic misery rather than the political persecution that faces their Cuban counterparts.

Human rights observers, however, say the US position is at best rooted in the distinction that Cuban oppression is communist, rather than merely totalitarian, and at worst in the fact that most Cuban defectors are white and relatively well educated, while most Haitians are black.

Japan turns face towards Asia

By Robert Thomson in Tokyo

MR Kiichi Miyazawa, Japan's prime minister, has said the country must concentrate on developing its political role in Asia, signalling that Tokyo will increasingly pursue policies independent of the US.

In a New Year statement, Mr Miyazawa said Asia would be "the world's brightest spot over the next century", and Japan must cultivate its own policies to take advantage of the changes in the region.

His comments follow the dalivery of reports by two senior advisory panels recommending that the relationship with the US be redefined and that "a new way of thinking" be employed in dealing with Asian countries.

The New Year comments and tha publication of the panel reports are part of the build-up to a South-East Asian tour by Mr Miyazawa beginning on January 11.

While careful to show deference to US influence in Asia, Japan is trying to convince other Asian governments that Tokyo will not necessarily fall in line behind Washington in the future.

At the same time, most Japanese apparently sense that there are troubles ahead with the US. A poll published yesterday by the Mainichi Shimbun found that only 6 per cent of questioned Japanese consider ties with the US will improve in the future.

In addition, Mr Miyazawa presided over a "round table on Japan and the Asia-Pacific region", which has just reported that "it is indefensible to adopt the attitude that a nation can curl up comfortably into its own cocoon" in the face of international change.

But tha conference also suggested Japan must make changes at home to ensure that it can be taken seriously abroad.

Meanwhile, Mr Miyazawa said Japan's reluctance to open the rice market to imports was not a cause of the delay in settling the Uruguay Round of multilateral negotiations under the General Agreement on Tariffs and Trade.

He said Japan should "defend" the rice market, though, recognising that a market opening appears inevitable, he also suggested that farmers be compensated if their earnings are affected by trade liberalisation.

Government wants to cut inflation and create 4m jobs in two years

Brazilian growth plan prepared

By Bill Hinchberger in São Paulo

BRAZIL'S new government has outlined a general strategy to promote growth and reduce inflation.

But the scheme for achieving these goals, presented by Mr Paulo Haddad, planning minister, was short on details. He failed to address structural reforms such as privatisation, a programme which President Itamar Franco suspended and promised to re-initiate under unspecified new rules.

The key points included the elimination of public waste and corruption through increased oversight and administrative decentralisation, a gradual reduction of interest rates, tripartite sectoral accords negotiated with business and labour, and the liberalisation of certain investment rules to attract foreign capital.

Mr Franco hopes to generate 4m jobs during the two years left of the term he inherited from Mr Fernando Collor de Mello, who resigned last week.

The government estimates that there are 8m unemployed in Brazil's big cities.

The government aims to cut inflation from 25 to 10 per cent a month by the end of 1993, and to what Mr Haddad called "civilised levels", 2-4 per cent a month by December 1994.

The strategy for "selective growth", as Mr Haddad put it, partly depends on the co-operation of business and labour. The model will be an accord last year in the automotive sector, where industry reduced prices and guaranteed job stability, labour moderated salary demands, and the government cut taxes.

Mr Franco is calling Congress back from its summer recess on January 11 to address fiscal reform. Reform would also make room for the gradual reduction of interest rates, said Mr Haddad.

Israel passes jobs budget

ISRAEL'S parliament yesterday approved the 1993 state budget, the first under Labour Prime Minister Yitzhak Rabin, after a marathon all-night session, Reuter reports from Jerusalem. The vote was 44-36.

The Shk102bn (£24.3bn) budget aims to ease 11 per cent unemployment by creating 90,000 jobs, mainly through infrastructure and business incentive allocations totalling Shk6.4bn.

Inflation was forecast to remain steady at 10 per cent.

The government abolished a Shk250 travel tax, a 4 per cent fee on foreign currency purchases, and customs duty on products from the European Free Trade Association countries. It reduced value added tax from 18 to 17 per cent and company taxes from 40 to 39 per cent.

Defence, at Shk18.2bn, is the largest item in the operating budget. In the overall budget, debt repayment takes the largest allocation, at 29 per cent, followed by 26 per cent for welfare and transfer payments. Defence accounts for 18 per cent of the overall budget.

The deficit, which by law must be wiped out by 1995, is projected at 3.2 per cent of gross domestic product in 1993, compared to the 1992 projection of 6.2 per cent. GDP, up 6.4 per cent in 1992, is predicted to increase by 3.5 per cent in 1993.

Hard line over deportees

ISRAEL said yesterday it opposed a fresh Red Cross appeal on humanitarian aid to 415 Palestinian deportees stranded in Lebanon, Renter reports from Jerusalem.

The International Committee of the Red Cross said on Thursday it had asked Israel for access to the deportees through Israeli lines only. It said Red Cross delegations in Israel and Lebanon were appealing independently for unilateral access.

"Israel's position has not changed," said Gad Ben-Ari, spokesman for Prime Minister Yitzhak Rabin. "We are ready to allow the Red Cross to bring supplies only on the basis of mutuality, which means at the same time a convoy must also come from Beirut."

Israel expelled the 415 on December 17 for periods of up to two years. Ten have been told that their expulsions were a mistake and they may therefore return to the occupied West Bank and Gaza Strip.

Earlier yesterday Mr Rabin said the deportees could return home early if the Palestinian uprising in the occupied territories was halted for nine months.

In the Gaza Strip, Palestinians hurled a hand grenade near the Israeli checkpoint at Erez junction, where Arab workers cross into Israel. An Arab driver was slightly wounded.

NEWS IN BRIEF

Survey shows US orders rising

THE US manufacturing sector continued to expand in December, according to a widely watched survey of industrial buyers, George Graham writes from Washington.

The National Association of Purchasing Managers index rose for the third consecutive month to 55.9 per cent, and a NAPM index of new orders climbed sharply to its highest level for three years.

Separately, the Commerce Department said manufacturers' new orders declined by 0.9 per cent in November, the first drop in three months. Economists said, however, that this decline was mostly attributable to aircraft orders, which tend to fluctuate erratically. Factory shipments rose by 1.1 per cent in November.

Washington defines water

The US Food and Drug Administration ended the year by publishing its long-awaited rules for the labelling of bottled water, Nikki Tait reports from New York.

Under the proposed new rules mineral water will be defined as bottled water with at least 250 parts per million in total dissolved solids, coming from a source "tapped at one of more bore holes or springs, originating from a geologically and physically protected underground water source".

Spring water, meanwhile, is defined as bottled water obtained from an underground formation from which the water flows naturally to the surface – or would if it were not collected underground.

Cambodia trade sanctions

Trade sanctions against the Khmer Rouge have come into effect after the guerrilla faction launched its most serious attack on UN peacekeepers since they were deployed in Cambodia, Reuter reports from Phnom Penh.

The sanctions were imposed by the UN Security Council in November because of the hard-line guerrilla group's refusal to comply with the peace accord signed in Paris in October 1991 to end 13 years of civil war.

Referendum date for Malawi

Malawi's President Kamuzu Banda has set a referendum on multi-party politics for March 16, the pro-democracy movement said yesterday, Reuter reports from Johannesburg.

The date was announced by Mr Banda in a broadcast, according to Mr Kennedy Msonda, a representative in South Africa of Malawi's opposition Alliance for Democracy.

Nigeria begins reforms

The Armed Forces Ruling Council, Nigeria's highest governing body, has been dissolved to pave the way for a new body that will help guide the country through eight months of extended military rule, Reuter reports from Ahuja.

Matiba grows from prisoner to opposition leader

Julian Ozanne profiles the man who has come a strong second in Kenya's presidential poll

THE man who dominated the historic launch of Kenya's opposition coalition to the continued rule of President Daniel arap Moi has earned his spurs tha hard way.

Mr Kenneth Matiba, who emerged in the elections as the leading popular opposition figure, has one essential African qualification for power: a long spell in jail for his opposition to authoritarian rule.

Detention without trial has done for Mr Matiba what it did for former President Jomo Kenyatta, who was incarcerated by the British for his challenge to colonial rule: it has made him a political martyr to Kenya's masses, particularly his powerful and dominant Kikuyu tribe.

The 60-year-old former cabinet minister, jailed in 1990 by President Moi for leading the multi-party democracy movement, has established himself as the power broker of Kenya's political future.

Yesterday Mr Matiba, leader of the Ford-Asili party, was flanked by tha two other members of the coalition, Mr Mwai Kibaki of the Democratic Party and Mr Jaramogi Oginga Odinga of Ford-Kenya – once bitter rivals of Mr Matiba but now deferring to him as *primus inter pares* of the united opposition front.

From the start of the campaign for multi-party democracy nearly three years ago, Mr Matiba has displayed an almost messianic belief that this was the leadership role be was destined to play.

He bas battled Mr Moi since 1988, when be became the first minister to resign from his cabinet over election rigging. Spearheading the nascent multi-party movement, he was detained in July 1990, three days before tens of thousands of people heeded his call to demonstrate for political change. At least 40 people were killed in three days of rioting in Nairobi and Central Province in the wake of arrest.

Now he bas the opportunity to shape the opposition to Mr Moi and determine whether Kenya's transition to democracy will be peaceful.

Interviewed in his campaign office, as it became apparent that he had become a pivotal figure, Mr Matiba gave an early indication of his strategy to lead the opposition and put aside the bitter rivalries which had emerged during the campaign. "The country does not want Moi any more," he said. "The opposition bave the majority of votes and we have to stop the violence which is there already. I am the only man who can stop the violence and keep tbe country together."

Mr Matiba has made an extremely strong showing in three of Kenya's eight provinces and can now claim the mantle of leadership of his Kikuyu tribe. The Kikuyu have been tbe most militant in pressing for the introduction of multi-party democracy, and observers say many are prepared to take to the streets to remove Mr Moi forcibly if Mr Matiba issues the call. Doubts about their possible return to power, after a 14-year break since Mr Kenyatta's death, remain his chief Achilles' heel.

'I am the only man who can stop the violence and keep the country together'

Mr Matibawas last night firmly in second place behind his one-time jailer, by 1,228,870 votes (26 per cent) to 1,796,233 (37 per cent) in the presidential race. His remarkable performance among his Kikuyu people in the face of stiff competition from his fellow tribesman, Mr Kibaki, stems his status as the hero of the multiparty movement.

A strong family man and enthusiastic mountain climber, Mr Matiba suffered a severe stroke shortly after his release from a 10-month confinement which left the right side of his body seriously paralysed and affected his reading and writing ability. He spent almost a year convalescing in London before returning triumphantly to Nairobi last May. At his country home in Limuru, he sbows off the remarkable recovery he attributes to God and stiff exercise. "Look at this," he says swishing the air with an imaginary squash racket. "I couldn't do that not so long ago." He is light-hearted, even schoolboyish.

Many Kenyans remember with affection his career before be entered parliament in 1979, which was built on two of Africa's greatest enthusiasms: beer and football.

As a senior executive and later chairman of Kenya Breweries between 1968 and 1979 he was responsible for massive industrial expansion and job creation in one of Kenya biggest state-owned companies. As founder of the Kenya Football League and chairman of the Kenya Football Federation he promoted Kenya's most popular sport across the country.

His family and many of his close colleagues opposed his return to the cut-throat world of Kenyan politics, and urged him to retire to the business empire he has built up in hotels and horticulture exports.

But Mr Matiba felt he was the only man capable of leading the opposition to Mr Moi and holding tbe country together – an almost De Gaulle-style arrogance which was to win him many enemies in the opposition.

The results of tbe elections show that if the opposition had held together instead of fragmenting into three main parties, based largely on tribalism and personal greed for power, they would have easily swept Mr Moi aside.

Mr Matiba must bear some of the responsibility for this failure to present a united front. He claims his rigid stance has been based on democratic principle, repeatedly stressing that his was the only party to carry out direct elections for the leadership. "I have been for democracy from the beginning and that was not up for compromise," he says.

But politicians in the other opposition parties, including former close friends like Mr Charles Rubia, who was detained with Mr Matiba in 1990 but subsequently broke with him, say his prickly and volatile nature make it impossible to work collectively with him.

An ironic parallel can be drawn, say his critics, between Mr Matiba and his close British friend Dr David Owen, the former leader of the Social Democrats: both men whose personalities led to divisions in the opposition.

His policies, too, are close to those of Dr Owen, mixing a commitment to private sector enterprise and privatisation of state-owned companies with a belief in the social welfare role of the modern state, especially in education, and accountability in public affairs.

Critical for Kenya is whether Mr Matiba can now rise to the challenge of opposition leadership bestowed on him by the electorate, and play the role of conciliator to unite a fragmented opposition still groping for a path to power.

NEWS: UK

Tour operators and retailers report surge

By Philip Rawstorne

THOMSON, THE UK's biggest tour operator, yesterday estimated that holidaymakers spent about £75m in the first three days of this week on summer bookings – about 50 per cent up on the same period last year.

The holiday rush, stimulated by price cuts and special offers, was accompanied by further brisk business in New Year sales yesterday.

Mr Charles Newbold, Thomson's managing director, said: "Clearly consumer confidence is now returning to the high street."

Thomson, which expects total holiday bookings to reach £150m this weekend, has doubled the size of its Skytours brochure, offering 200,000 additional holidays in Spain, Greece and the Canaries.

Thomas Cook confirmed the early surge in demand. Bookings through its 340 travel agencies were 50 per cent ahead of last year. "We have had a very good few days since Christmas," it said.

Retailers reported found an improvement on last year's start of the January sales. Mr Robin Cannon, marketing director of Allied-Maples, said: "It has been a good day for us. The momentum has been maintained since Monday and augurs well for the weekend. Carpet sales have been particularly buoyant."

Lillywhites, the London sports store, reported business was "a lot better" than in last year's sale. Mr Steve Forbes, merchandise manager, said: "For the Christmas/New Year period as a whole, sales are 41 per cent ahead of our forecasts; and 140 per cent up on last year when the redevelopment of the store disrupted business."

Gieves & Hawkes, the Savile Row tailor, said it had fewer customers yesterday than earlier in the week, but it was "very pleased with the results. The Christmas period this year has certainly been better than a year ago."

Mr Malcolm Busby, retail director of Daks-Simpson, said trading yesterday had been "quite brisk". He added: "Christmas got off to a slow start but over the last two weeks business has been very much better than last year."

The sale at Austin Reed's Regent Street store in London yesterday attracted slightly more customers than last year. Mr Michael Tiffin, merchandise director, said: "There are noticeably more tourists among the shoppers."

"It had been a good week for the company's 34 shops throughout the country. Mr Tiffin added. "We are very pleased with the results."

The John Lewis Partnership reported yesterday that its department stores had increased sales by 0.7 per cent in the week to December 19, the last full week before Christmas.

Pension fund returns improve

By Barry Riley

PENSION funds enjoyed high annual investment returns last year, according to initial estimates, in spite of the poor state of the economy.

Investment returns – capital gains plus income – of 19 per cent to 20 per cent on average were the best annual result since 1989.

Most of the gains were earned in the final few months of the year, following the withdrawal of sterling from the European exchange rate mechanism in September.

According to WM Company, performance-measurement specialists, the best-performing asset category was overseas bonds, with returns of more than 31 per cent boosted by the devaluation. Equities returned about 20 per cent, both at home and overseas, and UK bonds 15 per cent.

The only disappointing category was property, which returned just 1 per cent or 2 per cent. Funds owning no property will therefore have performed better, and are likely to show an overall average return of 20 per cent.

But according to Hymans Robertson, the pension consultants and actuaries, last year's returns could prove illusory, because although share prices were strong dividends fell slightly. On an actuarial basis returns are likely to be closer to 5 per cent, and are "less than adequate" when compared to inflation-linked liabilities.

Hymans Robertson said: "A typical pension fund with a healthy surplus at the end of 1991 is likely to see part of that surplus eroded in 1992, reducing markedly its flexibility."

WM said that although stock market returns were good last year the 1990s still look like being the decade of the bond.

Over the three years 1990, 1991 and 1992 UK and overseas bonds have produced annualised returns of 14 per cent and 16 per cent respectively, but UK equities have returned only 9 per cent and overseas equities a very disappointing 2 per cent.

WM added that 1992 was likely to prove another bad year for pension-fund cashflows, reflecting the number of companies taking contribution holidays. Cashflow was only 3 per cent of assets in 1991 and will have been even lower last year.

These estimates and comments are based on market returns. Actual pension-fund returns will be calculated individually over the next few weeks.

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■ Cabinet papers for 1962 reveal takeover bid row ■ Macmillan initially backed scrapped aviation project

Ministers were embarrassed by ICI battle

By Richard Evans

IMPERIAL Chemical Industries' attempt to take over Courtaulds was the biggest and most fiercely fought takeover battle of its day and the Macmillan cabinet did not know how to handle it, according to cabinet papers which have been released under the 30-year rule.

The aim was to rationalise the UK's synthetic fibres industry but Mr Frank Kearton, then chairman of Courtaulds, strongly resisted the plan and a long series of secret negotiations broke down.

The battle between Mr Kearton and Mr Paul Chambers of ICI fascinated the City, particularly when Courtaulds, having cut its interim dividend before the battle, proposed a dividend increase and distribution to shareholders of £40m in loan stock.

The government was an embarrassed spectator of the bitter in-fighting, and the Labour opposition rejoiced in the daily revelations of jungle warfare in the City. Cabinet papers show the scale of the disagreement among ministers on whether to intervene.

Some ministers urged intervention to prevent an ICI monopoly but a majority argued in favour of allowing the bid to run its course and for the Monopolies Commission to step in at a later stage if necessary.

Mr Rab Butler, the home secretary, absented himself from the discussions as he had married into the Courtaulds family.

Mr Frederick Erroll, president of the board of trade, publicly washed his hands of the affair. He told the Commons he had decided not to decide whether the merger would be in the national interest.

Fortunately for Mr Erroll the battle ended on the expiry of ICI's time limit for Courtaulds shareholders, when only 37.4 per cent of Courtaulds ordinary stock had been acquired.

Cabinet minutes show recognition that the dispute had crystallised growing public anxiety about the effect of big mergers on the national interest, and that ministers would be pressed to assume further powers to control these operations.

Hidden role in Cuban crisis

By Bethan Hutton

MR HAROLD Macmillan, the prime minister 30 years ago, felt the Cuban missile crisis strengthened the country's special relationship with the US. This was in spite of the British government's serious doubts about the legality of US actions.

The prime minister's papers record daily phone calls between him and US President John Kennedy.

Mr Macmillan later told the cabinet that the UK had played a more active role in the resolution of the crisis than was widely believed. He hesitated to publicise the fact for fear of embarrassing President Kennedy and further antagonising Britain's European allies.

At one stage Mr Macmillan wrote to President Kennedy offering to immobilise the UK's 60 Thor nuclear missiles as a face-saving gesture for Mr Khrushchev, the Soviet leader. The crisis was resolved the following day without such action being necessary.

Documents that have been removed indefinitely from the files made public yesterday may hide evidence of whether a secret deal was responsible for the sudden resolution of the situation.

Close co-operation with Washington did nothing to help British relations with Europe when the UK was trying to join the European Economic Community, but Mr Macmillan did not appear to consider this a problem.

He wrote in a memo: "I am glad to feel that the crisis leaves us with strengthened ties to the administration . . . I do not feel so inhibited by our European negotiations because I am now beginning to feel that we shall have a fight with de Gaulle [of France] and Adenauer [of West Germany] anyway."

A flurry of memos between senior members of the government reveals serious doubts about whether the US blockade of Cuba was justifiable under international law. The consensus appeared to be that it was not.

The government was particularly concerned about the possibility of setting a precedent in international law for ships of a third-party nation to be stopped and searched at sea.

Sit-down demo: protesters defied a government ban to demonstrate in Whitehall and Trafalgar Square over the Cuban missile crisis

Rotodyne failed despite political support

By Paul Betts, Aerospace Correspondent

BRITAIN abandoned a project to build a hybrid helicopter/fixed-wing aircraft to revolutionise intercity travel in spite of strong backing from Mr Harold Macmillan, the prime minister.

The Fairey Rotodyne project was ultimately cancelled by the government 30 years ago but cabinet papers released yesterday show Mr Macmillan had insisted four years earlier that the project "must not be allowed to die". The aim was to produce an aircraft which would take off vertically and carry 48 passengers at 180mph over a 200-mile range.

The Rotodyne, which had two small wings and was powered by two turbo-propeller engines and a rotor blade, was aimed at intercity air travel.

A prototype first flew in 1957 after the government funded £13m of development costs. Commercial airlines showed little interest and the project was dropped on February 12 1962 after armed forces chiefs said they were not prepared to support it.

A similar aircraft, the Boeing-Bell tilt rotor, is being developed in the US supported by the US government. The aircraft takes off vertically like a helicopter and then flies like a fixed-wing aircraft.

The US aircraft, of a roughly similar capacity to the UK project but with much longer range, has been earmarked for military and civil applications.

The Cabinet papers also disclosed that the Anglo-French Concorde could have been called "Europa" or "Alliance" if the British government had had its way.

Although the British and French governments formally agreed to build the supersonic airliner on November 29 1962 the two countries continued to disagree on the name of the jet, according to the cabinet papers. The aviation minister at the time, Mr Peter Thorneycroft (now Lord Thorneycroft), suggested "Alliance" and "Europa" to the cabinet.

He said France had agreed to a name that underlined co-operation and meant the same in the two languages.

The two manufacturers of the aircraft, British Aircraft Corporation (now absorbed into British Aerospace) and Sud Aviation (now part of Aerospatiale of France), preferred Concorde.

The consortium had planned up to 40 aircraft, but in fact only 16 were produced.

Aerospace manufacturers are now studying the development of a second-generation supersonic airliner with a capacity of 300 against Concorde's 100.

Concern raised over South Georgia deal

By Bethan Hutton

A REPORT to the cabinet raised concerns that a whaling deal could lead to the south Atlantic island of South Georgia becoming populated entirely by Japanese. The government felt it could not interfere in a commercial transaction.

■ Housing was becoming a "lively political issue" because of a shortage of private rented homes and high interest rates.

■ Mr Rab Butler, the home secretary, warned of the risk of a "big explosion" of racial conflict if the government was not seen to take action after a series of fascist meetings were broken up violently.

■ Rapid growth of office employment worried the home secretary. He feared the concentration of offices in inner cities could lead to land shortages, increased homelessness, traffic congestion and high travel costs.

Unified budget timetable outlined

MR STEPHEN Dorrell, the Treasury financial secretary, has moved to reassure MPs that the new unified budget arrangements will not mean a reduction in parliamentary time for the finance bill, Alison Smith writes.

In a letter to Mr Nick Brown, a Labour Treasury spokesman, Mr Dorrell says that this year's second budget will be about early December, the finance bill will be published early in January and will complete its passage through parliament by May 5.

Labour is likely to be satisfied with the timetable which means that, as now, there will be just less than four months between the publication of the finance bill and its enactment.

Customs officers to vote on strike

CUSTOMS officers are to be balloted over strike action following changes to their jobs caused by the introduction of the single European market.

The CPSA civil service union has recommended officers vote in favour of a one-day strike in protest at the changes which the union claims will result in a "significant loss of pay".

Anniversary coin

A SPECIAL crown coin will be struck to commemorate the 40th anniversary of the Queen's coronation. The £5 coin, although legal tender, will not be generally available until June and is not intended for general circulation. Collector coins will be available from early in the year.

Companies pin hopes on year-end exchange rates

By James Blitz, Economics Staff

TREASURY managers at UK companies were yesterday monitoring how sterling finally closed in 1992 against the dollar, the D-Mark and other currencies.

END-OF-YEAR EXCHANGE RATES

	Dec 31 1991	Dec 31 1992	% change
DM/£	2.838	2.453	13.5
$/£	1.871	1.514	19.1
Yen/£	233.8	189.0	19.2
FFr/£	9.698	8.365	13.7
SFr/£	2.535	2.218	12.5
C$/£	2.163	1.934	10.5
DM/$	1.517	1.620	6.5
Yen/$	125.0	124.9	0.1
Yen/DM	82.37	77.09	6.4

Companies which draw up their accounts at the end of the calendar year calculate the value of their overseas subsidiaries using the closing rate in London on December 31. In some cases the profits and losses from those subsidiaries will also be translated to the parent group's balance sheet using the exchange rates for that day.

Many treasury managers calculate profits and losses using the average exchange rate over the accounting year. But, even in these cases, the rate at the end of the calendar year is watched closely as a guide to how the average will come out.

Mr Derek Ross, a partner at accountancy firm Touche Ross, said the overall value of a company may change sharply because of sterling's devaluation. "Those companies with net assets overseas will find this weekend that the value of their holdings has increased because of sterling's devaluation."

The devaluation implied in the year-end rate can also change a company's gearing ratio and borrowing capacity. The debt-to-equity ratio can also change, depending on the extent of a company's overseas holdings, and this may have an impact on existing borrowing arrangements.

Mr Ross said that the recession had resulted in companies having larger borrowings than usual. The devaluation as reflected in the the end-of-year rates may have an adverse effect on gearing percentages.

● British business will be in the front line of a new Battle of Britain this year, Mr Peter Morgan, director-general of the Institute of Directors said in a New Year message to members.

"January 1 1993 is an important turning-point for the UK economy. Symbolically, it brings the European single market into existence while in real terms it opens a new year in which we do expect recovery from recession to begin," he said.

Chirpy GMTV greets the nation

"A CONVENTIONAL breakfast show this isn't," claimed the anchorman. At just after 6am on New Year's Day not too many viewers were around to dispute this proud boast for Good Morning Television, which yesterday took over the breakfast franchise from TV-am.

On the first morning of ITV's Big Bang the GMTV formula for greeting the nation appeared thoroughly conventional – cheerful, fast-paced, and resolutely populist.

On Thursday, the last rather lugubrious morning for TV-am, one of the sillier tributes paid was that the programme had stood for "very visual colour". The set of GMTV is certainly highly visual – a sunburst-yellow lounge with pink sofas and an Impressionist still-life.

The presenters are under 40 and as confident and chirpy as sparrows. Predictably, the top news story of the morning was Princess Diana on the Caribbean island of Nevis. GMTV had its own royal-watcher there who gushed predictable twaddle. Items on Somalia and Slovakia came later.

Body culture looks like being an important ingredient in the morning recipe, and not only features on health and exercise. A female fashion presenter modelled stretchy black underwear in the studio and a female travel reporter will do much of her work in a swimsuit.

Evidently GMTV has no aspirations to challenge its audience's intelligence. The technology reporter ducked an explanation of how potatoes can contain electricity by saying dismissively: "Oh, it's all chemistry and that sort of thing." But it was a slick, confident debut.

Carlton Television's first contributions have been desperately banal. Yesterday afternoon's Surprise Party, presented by Michael Parkinson, was a reworking of This Is Your Life.

Richard Branson as the mystery personality was taken unctuously through his glorious career.

Patricia Morison

Smith urges return to 'active government'

By Alison Smith

REDUCING unemployment must be the overwhelming priority for this year, Mr John Smith, the Labour leader, said yesterday as he accused the government of complete inactivity on jobs.

He said Labour believed there should be a return to the idea of "active government" which could deal with the UK's problems by restoring the manufacturing base, improving skill levels and providing better social services.

He contrasted the opposition's view with that of Mr John Major, who was simply "keeping his fingers crossed" and hoping that something would happen.

Mr Smith said on BBC radio: "There is no plan, no action, no drive on the part of this government to tackle Britain's over-riding problem.

"We're determined to run a campaign to make sure there is the maximum pressure on the government to make the next Budget a Budget for jobs and for economic recovery."

Mr Smith underlined Labour's commitment to an intensive campaign to force the government to act on unemployment.

The campaign may help draw the party together and take the emphasis away from likely areas of tension and division. Mr John Prescott, the shadow transport secretary, said this week there were "clear divisions" in the party on proportional representation, Europe and trade union links.

Mr Prescott said that there were some party figures who seemed "to be wanting to believe that imagery and language are more important than the substance of ideas. I reject that view."

Sponsorship spending comes under the microscope

Companies want their arts expenditure to work harder for them, writes Deborah Hargreaves

BUSINESSES are taking a long, hard look at one area of expenditure that could be seen as less than essential in a recession: corporate sponsorship.

Royal Insurance set the tone this week when it decided to end its £700,000-a-year sponsorship of the Royal Shakespeare Company.

Mr Roy Randall of Royal Insurance said: "We certainly got a lot out of our association with the RSC, but in a recession, if dividends are not increasing you can expect that some shareholders may not be as keen on it as we are."

Others are also reviewing the benefits of having their name on a programme when set against the cost.

Mr Robert Pennant-Jones, head of communications at British Petroleum, the UK oil group, said: "We're beginning to come to the conclusion that big national sponsorships are not as good for some of our operating companies as smaller local efforts."

BP spends about £600,000 a year on the arts and has a fairly extensive spread of sponsorship inherited from Mr Robert Horton, its former chairman, who was ousted last year.

The company remains committed to its present programme but it is not planning to take on any more sponsorships. BP will also be looking very hard at its existing commitments, which include the National Portrait Gallery in London and Cardiff's Singer of the Year competition, when they come up for renewal.

Few companies appear to be looking for new events to sponsor while profits remain under pressure. Ms Ross Frost, sponsorship manager at Barclays Bank, said: "It simply means we can't expand." The bank spends about £1m a year on the arts, including sponsorship of the fringe theatre.

Corporate sponsorship can be crucial in creating an image for a company. BP, for example, sponsored a high-profile ecology exhibition at the Natural History Museum in London as a way of making a statement about its concern for the environment.

Sponsored events also provide a venue for corporate entertainment, where customers can go backstage and meet the cast of a play.

Privatised companies such as British Gas, which spends £10m a year on sponsorship, and British Telecom stress how sponsorship meets the need to put something back into the community.

Mr Bob Raggett at British Telecom, which spends £16m a year on sponsorship, said: "It is important for us to sponsor events which get the arts out to the people."

For example, the company sponsored a tour of the Scottish islands by the Scottish Symphony Orchestra – the first time such a tour had been organised.

Even British Gas and British Telecom, with their deep pockets, are scrutinising their commitments. British Gas is reassessing its approach to sponsorship and charitable giving in the light of regulatory constraints, while British Telecom is responding to the cold economic climate by trying to get greater benefit from its sponsorship.

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A cause for celebration

"TRY NOVELTIES for salesman's bait," wrote Goethe. "For novelties win everyone." Europe's single market, which officially started yesterday, is a welcome novelty, and not just for political and commercial salesmen seeking a winning slogan in a bleak winter. It comes into force at an unpropitious moment, with west and east Europeans beset by recession and upheaval. Yet hope sometimes finds its firmest footing in a time of gloom. Opening up closed industrial, service and financial sectors to more competition may cause short-term pain, but it is the best recipe for growth. Provided companies, individuals and governments grasp the opportunities, the single market offers Europe its best chance of prosperity.

Acrimony and fragmentation have characterised European politics in the past 12 months. But the Community deserves congratulation for enacting on time virtually all of a complex legislative programme, first outlined in 1985, allowing free movement of persons, goods, capital and services. Despite the impediments and imperfections remaining, the EC has pulled off an impressive feat.

Placing the measures on the statute book was onerous. Making them work will be still harder. The EC faces four challenges. First, member countries will have to apply the rules firmly and equitably. The EC's new insistence on subsidiarity must not impede effective enforcement. Second, governments should seek ways of countering the currency instability, seen by many chief executives as undermining the single market's prospects of success.

Increased access

Third, the new market must be outward rather than inward-looking. This is crucial for relations with North America and Japan, and also for allowing increased access for exports from central and eastern Europe – all the more important in view of the EC's plans for enlargement. Fourth, the single market must be made attractive and inspiring to Europe's citizens – at a time when 16m people in the EC are without jobs, and economic growth is the lowest since 1981-82.

If the EC now faces difficulties, the story of the single market shows how such tests can be surmounted. Following 12 years of debilitation after the 1973 oil shock, the single market was conceived as a means of bringing the Community back to life. The relaunch was accomplished through amendments to the Treaty of Rome which came into force with the Single European Act in 1987. The act was relatively uncontroversial, yet it encompassed far-reaching steps towards a supranational Europe. Along with the aim of establishing "an area without internal frontiers", the act brought in qualified majority voting as well as the objective of economic and monetary union.

Investment surge

In some senses, the single market existed before it was born. An investment surge by companies anticipating abolition of borders, combined with the effect of German reunification, made 1986-90 a buoyant period. During that time the Community registered annual average growth of 3.5 per cent, three times the OECD's forecast for this year's performance. Without this helpful background, the single market may well have run into the type of opposition that has befallen the Maastricht treaty.

As it is, the single market starts life punctually, but in a world made uncertain by change. One of the EC's prime problems is its flagging competitiveness, starkly underlined by a trade deficit with the rest of the world of $60bn to $70bn a year (against a $20bn surplus in 1985). Conscious of this handicap, not least *vis-à-vis* newly industrialised countries, large European companies seem likely initially to use the single market above all to spur further productivity gains, through rationalising and concentrating their activities.

Over the longer term, the single market opens a path to a more cohesive and competitive Europe which will create and not destroy jobs. By encouraging countries and companies to adopt the best available business and labour practices, it lays groundwork for deeper integration, including, perhaps, monetary union. So the new year beacons of celebration shone in a good cause. The milestone of the single market shows how far the Community has travelled; and it provides a sense of direction and purpose for the arduous but rewarding journey still to come.

Living with the past

AS THE western powers struggle to redefine their international roles in the post-cold war political climate, the markets confront an equally difficult, if less newsworthy, set of adjustments. The case for optimism, at the start of a year that will see no more than sickly economic growth in the developed world, is that some of the building blocks of a sounder economic and financial order are in place – not least a pattern of capital flows that begins to make global sense.

In the 1980s the world's creditor countries recycled disproportionate sums to the United States, thereby diverting capital from potentially higher returns in the developing world. Today, in contrast, Latin America is once again emerging as a capital importer, after a decade in which its economies were throttled by debt and bad policy. Direct inward investment into China is contributing to such dramatic double-digit growth rates that there is a real, and awesome, possibility that China might become the world's largest economy within a matter of decades. Meanwhile the dragon economies of Asia are hosting some of the world's biggest infrastructure projects, as well as playing their traditional game of export-led growth.

Policy mistakes

The snag is that the markets of the developed world are still scarred by the policy mistakes and exchange rate disequilibria of an earlier period. Conventional wisdom has it that the United States will lead the world out of recession, but more slowly than in previous economic cycles. With the private sector constrained by debt, the banking system fragile and fiscal policy less expansionary than it looks because of the debt interest burden and the cost of bank bale-outs, it is hard to quarrel with that verdict. The US is in no position, this time, to act as a locomotive for the world.

Nor is it easy to be optimistic about Europe, where German unification has resulted in a policy mix comparable with Reaganomics and an outcome that is arguably more damaging. The German combination of loose fiscal and tight monetary policy imparted a powerful deflationary impetus to the rest of Europe via the rigid framework of the ERM. Having voluntarily sacrificed their monetary sovereignty, the larger member countries of the ERM then felt obliged to follow Germany in relaxing fiscal policy.

As a result, Europe is now a capital importer, which slightly mars the more attractive picture of capital flows painted earlier; and the fiscal legacy of the ERM period raises questions about the ability of equities to resist the gravitational pull of any rise in long bond yields, especially in those countries that have improved their prospects for recovery by leaving the ERM.

Tide over

For Britain, where the public sector borrowing requirement threatens to top £50bn, compared with an annual institutional cash flow of just under £40bn, the question is acute. Yet despite fears of funding crises ahead, long gilt yields have not risen since sterling left the ERM. This suggests, first, that the markets do not expect the one-off rise in import prices after devaluation to leave an early mark on wage settlements. Perhaps, too, that inflation is assumed to be moderating at such a pace that the gilt market offers sufficiently high real returns to persuade international capital to tide the government over until growth permits a significant reduction in the PSBR.

Even so, UK equities are moving into more contentious territory. And there are still plenty of areas of instability around the globe. The currency markets have unfinished business in the ERM, where the French franc continues to be vulnerable. Japan, the only significant creditor country remaining, is in the throes of a banking crisis; its equity market persists in staying overvalued chiefly thanks to the manipulation of public sector pension funds. And there is a worryingly small flow of capital into the former communist bloc, which underlines the geopolitical, as well as the economic and financial risks, with which the markets must live. There are limits to what capital can achieve in the absence of political leadership. With Mr Clinton in the White House, leadership has another chance. Let us hope, in 1993, that the chance is grasped.

Tomorrow's world

Last year confirmed many of the gloomy forecasts made in January. FT writers, answering the most pressing questions for 1993, do not expect a great change in global fortunes – but there are one or two sparks of optimism


Brazil's new man, Itamar Franco: a mission to reform


Refugees from a ruined land: Yugoslavia's civil war is unlikely to be resolved and could even spread into a wider Balkan conflict


Emergency in the ERM: will the Bundesbank help ease the pressure on Europe's fragile exchange rate system?


Middle East: which is the best way to peace?


President Clinton: Slick Willy may succeed despite pitfalls


China syndrome: Asia's new tiger begins to roar


International economy: can it pull out of reverse?


A not inconsiderable spell of calm weather ahead for Major

Last year was an *annus horribilis* for the Queen. It was an *annus horribilis* for Mr George Bush and Mr Neil Kinnock. But what sort of year was it for the reputation of the FT writers who were asked a year ago for their forecasts for 1992?

Joe Rogaly wondered whether the Labour party would win the general election. "Possibly, but not probably" was his answer, one that proved closer to the truth than the polls and most pundits. Asked whether George Bush would be beaten, Lionel Barber replied "no, but he will have a run for his money". He did, indeed, but then he was beaten.

Asked whether the economy faced a great depression, Samuel Brittan replied robustly that "this constant harping on the great depression is an enemy to serious thinking". Certainly, it did not happen in 1992. Barry Riley predicted that "all in all, you are likely to make some money on shares over 1992". So you were. Meanwhile, John Plender correctly predicted that UK house prices would fall in another year of gloom for home owners.

Martin Wolf predicted that the European Community's exchange rate mechanism would be realigned, which was hardly conventional wisdom a year ago. He also thought the Uruguay round of multilateral trade negotiations would be completed in 1992. He was right in judging the differences over agriculture too small to be an obstacle forever, but that agreement took longer than expected to reach.

John Lloyd argued correctly that there would not be a civil war in what used to be the Soviet Union, but noted that several small wars were raging already. Judy Dempsey said Serbs and Croats would not make up, and also pointed to the dangers in other republics of the former Yugoslavia. Her warning was wise, as was the forecast from Roger Matthews that there would be no peace treaty between Arabs and Israelis in 1992. Meanwhile, Alexander Nicoll concluded that the Chinese Communist party would not go the way of the Communist party of the Soviet Union.

Finally, David Lascelles thought the First Earth Summit in Rio de Janeiro would be mostly hot air, but also hoped it would focus the world's minds. The summit was at least more successful than its host, Mr Fernando Collor de Mello, who resigned last week faced with impeachment.

In all, 1992 was a good year for FT forecasters. What a pity about the world.

Will there be a global recovery?

Martin Wolf writes: No, not in the countries of the Organisation for Economic Co-operation and Development as a whole, if recovery means substantially faster economic growth than the 1¼ per cent expected for 1992.

The OECD forecasts growth of aggregate OECD gross domestic product of 1.9 per cent between 1992 and 1993. Even this improvement is unlikely, unless the US economy achieves growth substantially greater than the 2.4 per cent now forecast.

The OECD believes Japan and Germany will grow by 2.3 per cent and 1.2 per cent, respectively, between 1992 and 1993. This is already far below the 3.1 per cent and 2.3 per cent forecast by the OECD last June. In the present recession, however, mainstream forecasters have tended to underestimate economic weakness. There is a good chance that the Japanese economy will grow very little between 1992 and 1993, while German GDP will shrink.

Will there be peace in the Balkans?

Edward Mortimer writes: Alas, most unlikely. The war in Bosnia might peter out, but only on the basis of a *de facto* Serb victory which neither the international community nor the Moslem losers would ever accept *de jure*. In this case the Moslems would prepare for another round, smuggling in weapons from Moslem states. On top of that, Croatia may have a go at recapturing territory lost to the Serbs in 1991, when the UN mandate in those areas expires in March.

In Serbia proper, clashes are likely between Serbs and Hungarians in Voivodina, which could draw in Hungary; between Serbs and Moslems in the Sanjak; and above all between Serbs and the Albanians who form 90 per cent of the population in Kosovo. Both Albania and the Albanian minority in Macedonia would then be sorely tempted to help their kith and kin, which in turn could bring Serbian reprisal raids across their borders. It would not take much to upset the delicate balance in Macedonia between Slav majority and Albanian minority; and chaos in Macedonia could lead to intervention by any combination of Albania, Bulgaria, Greece and Turkey. If the last two are both involved, the Balkans could become the scene of the first war between two Nato allies.

Will John Major still be UK prime minister at the end of 1993?

Philip Stephens writes: Yes. If there is a single lesson from 1992, it is that political predictions are as useful as the average long-range weather forecast. Most people thought that John Major would lose the April election. No one anticipated the calamities that befell him a few months later.

But the storms have abated and the satellite pictures tell us that there is a much clearer, if dull, spell ahead. There will be more unexpected squalls but, having survived the disintegration of his economic strategy, Mr Major is unlikely to be swept away.

An end to the recession should help the prime minister restore some of his battered authority. Even Labour's John Smith – who will also still be around at the end of the year – believes that Mr Major will fight the general election due in 1996 and 1997. But both leaders need to make an effort to persuade us that politics and politicians have the capacity to excite and enthuse as well as to survive.

Will the Maastricht treaty be ratified and what difference does it make?

Lionel Barber writes: The Danes remain capable of pulling off surprises, but the odds are that the Maastricht treaty will be ratified after a divisive referendum in late April or May. Britain will follow, thanks to Prime Minister John Major's deft handling of the EC summit in Edinburgh and the probability that Tory Euro-sceptic opposition peaked in early October, shortly after the *petit Oui* in the French referendum.

The treaty itself is flawed. Monetary union for the 12 by the end of the decade looks fanciful. Germany is wavering about giving up the D-Mark. The big question this year is how the EC will respond to crises beyond its borders, in eastern Europe, Russia and the former Yugoslavia. The answer will determine whether the EC strengthens Maastricht's provisions for a common security and foreign policy – or once again defers to the US.

Will there be an ERM at the end of the year?

Martin Wolf writes: Yes, but a further reduced one. The current European exchange rate mechanism is likely to collapse into a narrow D-Mark zone, while exchange rates among all five major European economies – Germany, France, Italy, the UK and Spain – either float or become readily adjustable. To avoid this outcome, German monetary policy must be loosened substantially and soon.

The Bundesbank believes that the ERM is making a welcome return to the adjustable exchange rates of the period before 1987. But the absence of effective exchange controls makes any such ERM unstable.

The persistently slow economic growth of today exacerbates the ERM's unavoidable fragility. Markets may accept that the Benelux countries are prepared to import restrictive German monetary policies, whatever their consequences. They do not believe that large countries will tolerate slow economic growth indefinitely. When the problem is restrictive German monetary policy, the only escape is in the possibility of substantial exchange rate movement, in both directions. Since such movement has been precluded by the D-Mark's anchor role in the ERM, the system will have to be modified substantially.

Will there be peace in the Middle East?

Hugh Carnegy writes: The crisis over Israel's deportation of 415 Palestinians and the spate of killings that preceded it by Islamic fundamentalists in the occupied territories showed how easily violence can dominate events in the Middle East, disrupting peace negotiations begun in late 1991.

In any case, Israel has yet fully to bite the bullet on yielding the Arab lands it has occupied for more than 25 years, despite the election of Mr Yitzhak Rabin's Labour-led government. The terms so far on offer from Israel fall well short of the minimum that the Palestine Liberation Organisation could accept without risking a grass-roots rebellion within its own ranks and within the Islamicists.

Nevertheless, the fundamentals which drove Israel and its Arab neighbours into talks still apply: the US is dominant in the region following the demise of the Soviet Union; all countries engaged in the negotiations have deep strategic and economic reasons for maintaining good relations with the US and the west; the ultimate alternative to peace – non-conventional war, possibly involving a resurgent Iran – scares everybody.

The Washington talks will almost certainly resume after the Clinton administration takes over. But, as the deportation crisis illustrates, the "window of opportunity" for peace may be narrowing. Awareness of this should spur all sides on to a breakthrough this year. But never discount the volatility of the conflict, which could as easily destroy the chance of agreements.

Where are the next global hotspots?

Edward Mortimer writes: The problem with the new world disorder is that almost anywhere can be a hotspot. Explosions can happen without detonating a superpower conflict, because there is only one superpower left. The disintegration of the other superpower has, however, left plenty of fissile material around – figuratively and, alas, literally. Watch for signs of a more truculent Russia, ready to intervene on behalf of Russian minorities in other ex-Soviet republics: most dangerous would be Ukraine.

Likewise watch Hungary, surrounded on three sides by countries with large Hungarian minorities, living on territory that was Hungarian before 1918. Further afield, Africa and the Middle East are full of unresolved conflicts. If US intervention appears to succeed in Somalia, there may be demand for it elsewhere, such as Sudan. In Asia, Cambodia seems almost certain to blow up again, as the Khmer Rouge is sabotaging the UN peace plan.

Veteran communist rulers Deng Xiaoping of China, Kim Il Sung of North Korea and Fidel Castro of Cuba are presumed to be mortal. Should any of them pop off this year, the temperature would rise in and around their countries.

Will US President Bill Clinton get it wrong in the year ahead?

Jurek Martin writes: Probably not, unless he is simply overwhelmed by events. Lack of big-league experience notwithstanding, few presidents have come to the job so well prepared in policy terms, so keen to deploy a formidable intellect on practical problems, and with such highly developed political and populist instincts. Critically, he may also be "lucky", if the recent modest improvement in the economy he is inheriting can be sustained and if the opposition Republicans remain in their present state of disarray.

The pitfalls are obvious: a double handful of external crises, which may require more US military involvement overseas and, relatively, less of his promised "laser beam" focus on the domestic and economic programme; structural issues at home, like healthcare, welfare and education reform, which will bring him up against powerful vested interests; and financial market scepticism about his determination to control the budget deficit.

But with the Democrats running Congress and as keen as Mr Clinton to end "gridlock", and with every new president enjoying a honeymoon of varying length, there is no reason why he should not have a productive first year. The betting is that the new policies to be set in train will more resemble in their longer-term impact the very different agenda of President Ronald Reagan's first year in 1981. For most new presidents life gets harder after year one, as the first mid-term elections to Congress loom.

Will reform continue in the former Soviet Union?

John Lloyd writes: Most things will get worse in Russia this year. The policies of President Boris Yeltsin and Yegor Gaidar began the march to the market. Mr Victor Chernomyrdin, the latter's successor as prime minister, must choose between continuing the (relatively) tight money policies brought in by the Gaidar team – and thus risk mass unemployment – and debauching the currency, courting financial collapse. The decisions which must be made this year – on the economy, the constitution, the integrity of the Russian state, the form of the Commonwealth of Independent States – should not be further postponed.

Ukraine has just begun economic reforms from a position of near hyperinflation, and with most of its industries suffering a severe loss of markets. In the three Baltic states – especially tiny Estonia – financial reforms have begun and have yet to hit employment.

The three Caucasian states of Armenia, Azerbaijan and Georgia are now all on militarised footing, their rackety economies (with the exception of the Azeri energy sector) ignored. The four central Asian states of Kirghyzia, Tadjikistan, Turkmenistan and Uzbekistan are suffering from a big market loss in Russia. Tadjikistan is also rent with civil war.

Only Belarus in the west and Kazakhstan in the south remain relatively stable, so far avoiding both nationalist excess and plunges in living standards.

But there are no hiding places from the effects of the excruciating painfulness of integration into the world economy. This pain will deepen in 1993.

Is Chinese economic reform set to last?

Alexander Nicoll writes: China's economic growth rate, at about 12 per cent, is probably the world's fastest in 1992, the result of a push for reform by 88-year-old Deng Xiaoping. Production, investment and exports have shot up. After 14 years, reform has considerable momentum, especially in the prosperous south. It is probably irreversible, even if it suffers setbacks as after the 1989 Tiananmen Square massacre.

Most of the economy is effectively in the private sector, and prices of many goods have been freed in 1992. But the bloated public sector presents huge challenges.

Two doubts remain: when Deng dies, will economic reformers survive in power without him? More immediately, will fast growth lead to overheating and austerity – slowing reform – as did two previous booms? A third question looms ever larger: will economic freedom lead to greater pressure for political freedom? The Communist party is determined to resist such demands at any cost.

Will Brazil realise its potential as Latin America's economic powerhouse?

Stephen Fidler writes: No. Brazil seems determined not to lose its reputation as "the country of the future". Brazilians face more stagflation in 1993 or, worse, another ineffective economic shock plan.

The government is now fighting inflation by keeping real interest rates high – which is why the economy is so weak – but has not fundamentally addressed the core of the problem: a budget deficit of 40 per cent of GDP.

President Itamar Franco, who took office after the impeachment on corruption charges of Collor, seems inclined to lower interest rates to reactivate the economy. If he does, inflation will accelerate. But if he does not and interest rates stay high, the economy will remain weak.

Either way, many Brazilians are betting that 1993 will see another shock plan – unorthodox measures such as freezing bank deposits and fixing prices and wages, which will fail without necessary fiscal reform – in a vain attempt to magic away the country's problems.

Jury out on Kenyan experiment

Elections have left the country precariously balanced, write Michael Holman and Julian Ozanne

President Daniel arap Moi may come to look back on December 29 as the day he won an election but lost the authority to govern Kenya.

Yesterday the ruling party's manipulation of the country's first multi-party election for 26 years achieved what once seemed impossible. The country's three main opposition leaders announced the formation of a united front and vowed not to let Mr Moi assume power again.

Against the incongruous backdrop of new-year tinsel and bunting at a Nairobi hotel, they pledged to set aside past differences of personality and tribe to oust Mr Moi from the absolute power he has wielded for 14 years.

It is more easily said than done, and last night the opposition refused to reveal its hand. But it is clear that Kenya will never be the same again and now faces its most critical moment in history since independence from Britain in 1964.

The future is uncertain – the country is precariously balanced between further change and upheaval. At best Kenya will settle into a period of fragile stability as the three party leaders attempt to wrest power from an authoritarian president, or at least persuade him to share power in what would be a government of national unity. At worst, the nation will be thrown into civil strife.

Much will depend on whether Mr Moi, a reluctant democrat, can learn to live in an era which requires a degree of tolerance, compromise and transparency that he has lacked in 14 years of near unbridled power. Equally important will be the opposition's capacity to contain the passions of its supporters.

Whatever the outcome, Tuesday's polls have set Kenya irreversibly on the path of change.

Much is at stake, for Africa and the west. A successful transition from autocracy to democracy would revive hopes for the recovery of a rare African example of stability and growth. For the west it would mark the successful culmination of the policy of linkage between aid and good government: the imposition of a freeze on donor funds in November 1991 spurred Mr Moi to drop the ban on opposition parties a month later.

Failure would not only prove devastating for Kenya's 26m people. It would reverberate through a region scarred by tribalism, war and economic mismanagement, and act as a body blow to hopes for resuscitation of the continent as a whole, leaving western government reassessing the merits of pushing authoritarian states down the road of pluralism.

For Mr Moi the election has been a painful, even humiliating, experience.

Hours after he cast his vote in a mountain retreat deep in the Rift Valley, the 68-year-old president lashed out at his tormentors – western governments which twisted his arm, forcing him to introduce multi-party politics by "starving Kenya".

Few African leaders have proved as resistant to the continent's new wind of change. For nearly a quarter century the country had been an African role model and a leading recipient of western aid. Real growth in gross domestic product narrowly outpaced an annual population increase of 3.5-4 per cent. But from the mid-1980s Kenya's reputation became ever more tarnished by human rights abuses, economic mismanagement and corruption that ate away at reform attempts.

A year ago, the country became a test case: could international donors, by linking aid to good government, nudge an unwilling autocrat down the road towards democracy and economic transparency? And could democracy take root in a tribally based African nation after more than a quarter century of rotten one-party statism? For the moment, the jury is still out on the experiment.

Provisional results from 167 of the 188 constituencies showed last night that, technically, Mr Moi and the ruling party Kanu are back in power, but the veteran leader has been badly mauled.

He has won the presidency against stiff competition from Mr Kenneth Matiba, but with only 36 per cent of the presidential poll against Mr Matiba's 27 per cent. In the parliamentary election Kanu was last night headed for a narrow majority, but only if the 12 MPs which can be nominated by the president are included in the total. Several of Mr Moi's most important heavyweight supporters, such as Mr Ndolo Ayah, the foreign minister, and Mr Elijah Mwangale, the agriculture minister, were defeated in an election that claimed 14 cabinet ministers.

However, the opposition yesterday said that it did not accept the results of an election which, it claims, was "blatantly rigged" and marked by widespread intimidation, massive fraud and introduction of illegal ballot boxes.

Any electoral abuses, however, did not protect Mr Moi from the humiliating exposure of the depth of his unpopularity among the Kikuyu and Luos, Kenya's two largest tribes. Kanu failed to secure a single seat of 25 constituencies in the Kikuyu homeland of Central Province and won only one seat in the Luo-dominated Nyanza Province. In the presidential poll Mr Moi won a mere 2.5 per cent of the vote in Central Province.

Should he try to govern in defiance of the opposition parties, he will be unable to include members of Kenya's most powerful and politically active tribes in his cabinet. Many political observers believe this will make it almost impossible for him to rule.

At a hasty meeting the three main opposition parties – Ford-Asili led by Mr Matiba, Ford-Kenya led by Mr Jaramogi Oginga Odinga and the Democratic party led by Mr Mwai Kibaki – said they were forming a united opposition front to "avert the imminent crisis in the country". They demanded fresh elections and said they were determined to prevent Mr Moi from assuming office. Behind these demands lies the considerable threat of violence which the opposition could initiate to bring the country to its knees.

As politicians, in government and in opposition, grope to come to terms with the new post-electoral reality, the role of western governments remains critical. Having initiated the process of change by freezing aid worth US$350m-$400m a year, they now have to keep pace with developments.

Like the Commonwealth and other observer groups, they have been reluctant to condemn the poll as "unfree and unfair", and inclined to argue in favour of a "second best" solution – in which Kenya is seen as having taken a "first step on the road to democracy" and Mr Moi remains in power, but faces the checks and balances provided by a powerful parliamentary opposition.

The US, Britain and other donors have to walk a delicate path between legitimising Mr Moi and recognising the power of the opposition. The performance of the opposition to date has not been distinguished, however, and its capacity to act as an effective coalition has yet to be proved.

The patient queues of voters were eloquent testimony to the belief of Kenyans in the ballot box, but the result showed that democracy in Kenya remains dominated by tribalism. Thirty years after independence, ethnic loyalties and rivalries, not ideology determine voter allegiances.

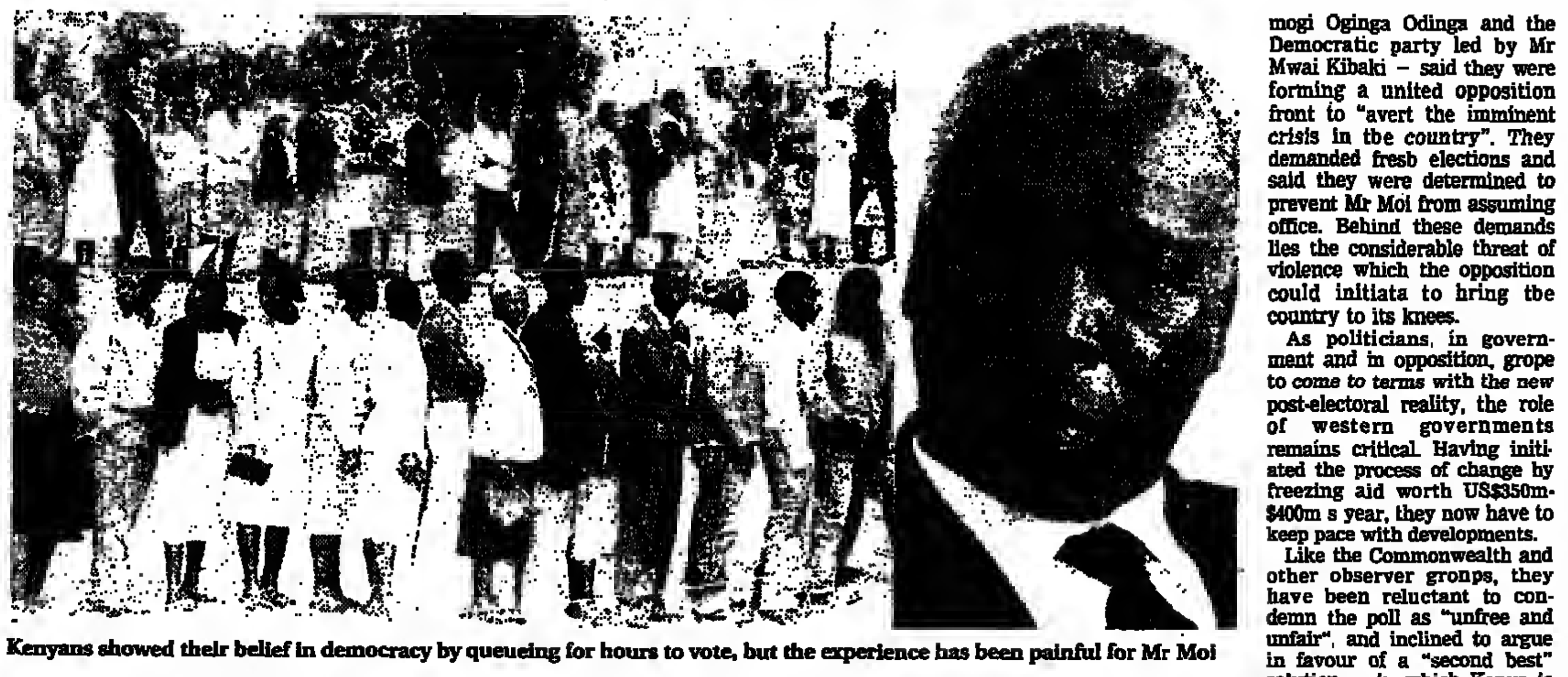
In the weeks ahead, Mr Moi will surely continue to exploit these differences and seek to buy off opposition by persuasion, intimidation or patronage. In the meantime the opposition lacks the machinery to organise extra-parliamentary action such as a general strike. The trade union movement is weak and poorly led and it is unlikely that it could co-ordinate a strike or other protest. However, the ability of the opposition to call out tens of thousands of demonstrators on to the streets of Kenya is formidable, even if it cannot control the outcome.

Meanwhile, the political machinations under way are certain to distract attention from the most severe economic crisis Kenya has faced since independence, exacerbated by massive extra-budgetary funding of Kanu's election campaign.

Symptoms of the crisis include a rate of inflation now exceeding 40 per cent a year, money supply growth well above a target of 10 per cent, a soaring budget deficit and a continuing foreign exchange squeeze.

The population of 26m is set to double by 2010 and hunger for land is increasing in a country two-thirds arid or semi-arid and with no known mineral resources. The country's largest foreign exchange earner, tourism, has already been badly hit by fears of instability and violence.

Unless a political accommodation is reached, the economic decline will become irreversible and, as the economy falters and unemployment rises, the prospects for strife grow ominously greater.



Kenyans showed their belief in democracy by queueing for hours to vote, but the experience has been painful for Mr Moi

After the traumas of 1992, the new Paris opera house faces a critical year, says Alice Rawsthorn

Operatic melodrama

When the curtains swung to a close at the end of Messiaen's St Francis of Assisi at the Opéra Bastille in Paris on Tuesday, it marked the end of a traumatic year at France's lavish new opera house.

The trouble started this summer when a set collapsed during a touring production of Otello in Seville, killing one singer and injuring 36 others. The tragedy aggravated the tension among the Bastille management. Mr Philippe Bélaval resigned as chief executive in August, together with six senior colleagues. Then there was a furore over the new contract of his former foe, Mr Myung-Whun Chung, now one of the highest-paid artistic directors in international opera.

The new management is beginning a critical year: it must heal the scars of Seville and establish the Bastille as a centre of excellence in international opera. It may also confront a less sympathetic political climate if, as the opinion polls suggest, the ruling Socialists, who founded the Opéra Bastille, lose the March general elections and the right returns to power.

The litany of trials and tribulations is very different from the picture painted by President François Mitterrand in 1982 when he unfurled his plans for a new "people's opera". Paris opera was in the doldrums. The old Opéra Garnier was run down. The president envisaged a brand new opera house with cheap seats, state-of-the-art acoustics and magnificent music.

The government spent almost FFr3bn to build the 2,700-seat house at place de la Bastille. It is run as part of the Opéra de Paris together with the Garnier, now used for dance, and the smaller Opéra Comique. It has an annual budget of FFr800m, of which the state provides 65 per cent. President Mitterrand in 1988 appointed Mr Pierre Bergé, one of his staunchest supporters and dubbed Pierre le Panthère for his ruthless style in running the Yves Saint-Laurent fashion house, as chairman of Opéra de Paris.

But the melodrama began even before the Bastille's opening. A string of resignations culminated in early 1989 with that of Mr Daniel Barenboim, the conductor, who stormed out as artistic director after a row with Mr Bergé. Mr Chung, then a comparatively obscure Korean conductor, succeeded him. The Opéra Bastille opened its first full opera, Les Troyens by Berlioz, in March 1990 to mixed reviews.

The reviews have remained mixed ever since. The Bastille is almost always full, with an audience of 392,290 last year. It has also had some success in fulfilling its populist mandate. Almost a third of its audience are first-time opera goers. But it has been haunted by complaints about the building, a lacklustre response from the critics and more management problems.

"I'm French and I'm an opera buff, I want it to work," said Mr Alain Lompech, opera critic of the daily newspaper, Le Monde. "But there has only been one production good enough to launch Paris opera on the international arena – Shostakovich's Lady Macbeth, directed by Chung."

One obstacle is the glacial, modernist building, designed by Carlos Ott, which has been criticised on architectural and musical grounds. "It was a wonderful idea to build a new opera house, but the acoustics are not great and the theatre is a disaster," said Mr Max Loppert, the FT's opera critic. "The scale of the stage makes it difficult to put on anything other than the very biggest operas."

The Bastille is now mooting plans for a Petite Salle with 1,100 seats for smaller productions. However, its hopes of securing the state's financial support could be scuppered if the Conservatives win the March elections. Last time the right was in power, in the mid-1980s, it tried to scrap the Bastille project by calling a halt to the building work. A future Conservative government might be less generous to the new opera house than the sympathetic Socialists.

Meanwhile, there is little the Bastille can do about its labyrinthine lay-out. "It's impossible to find your way around," said Mr Lompech. "I've been there dozens of times but I'm still so confused that, whenever I leave my seat, I can't find my way back."

The Bastille has also been hounded by the strikes and stoppages that dogged the Garnier. The French government baulked at adding a battle with the opera unions to its other difficulties before the opening, so the new house retains the old union agreements, which have lumbered it with a high wage bill and rigid working practices. The "people's opera" is also burdened by high prices: tickets range from FFr50 to FFr560, but two-thirds cost more than FFr200.

Mr Bélaval spent his 20 months as chief executive in intricate negotiations, trying to thrash out a new union agreement. But this summer Mr Bergé intervened, and bowed to union pressure by extending the deadline for the negotiations from August to November. Mr Bélaval, already fuming after rows with Mr Chung over who was to blame for the Seville disaster, resigned. The November deadline has passed, but the negotiations are still going on.

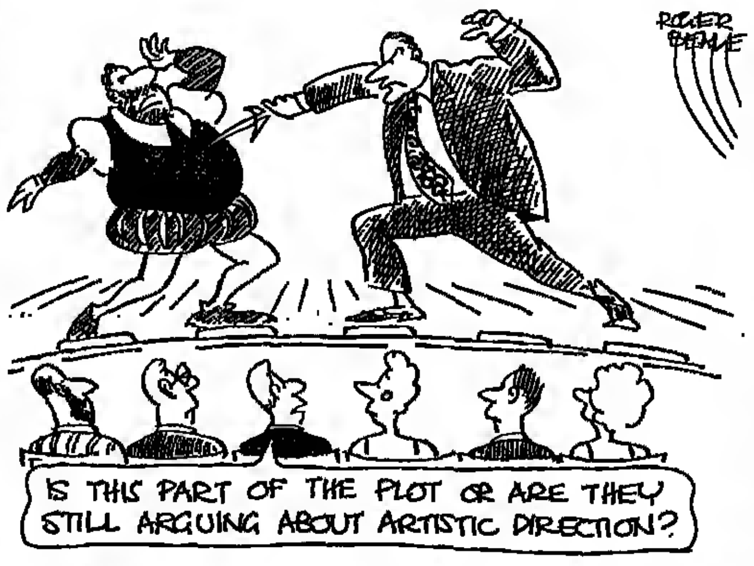
The union problems, combined with frequent management changes – Mr Bélaval was the fourth chief executive to resign in as many years – have made it difficult for the Bastille to fulfil its creative potential. Mr Loppert's view is that it has "not lived up to expectations". Even Mr Chung admitted to Le Monde this autumn that he was unhappy with the quality of output and that, in three years, he had only been satisfied with one production, Lady Macbeth.

The Bastille desperately needs a period of stability to recover from the trauma of the Seville tour. So far only half the injured singers have returned to work. Mr Chung must then get to grips with its music, while the management, under Mr Jean-Paul Cluzel, the new chief executive, tackles the unions.

There are some positive signs. Mr Chung's new contract not only increases his financial package – which will rise from FFr3.3m next year to FFr5m at the end of his six-year term – but also considerably extends his power. "Until now he hasn't really had the chance to be anything other than a good conductor," said one critic. He now has complete control over programming and artistic policy, and will be consulted on some administrative issues.

Mr Cluzel, meanwhile, is a high-flying bureaucrat, who has headed the Socialists' arts administration reforms but who also has the advantage of close contacts with the right, having worked for a Conservative minister in the mid-1980s. His ability to straddle both sides of the French political arena could prove invaluable to the opera house after the elections.

But if there is a change of government this spring, it seems doubtful that even Mr Cluzel will be able to prevent the Opéra Bastille from being embroiled in a repetition of the mid-1980s power struggle between President Mitterrand and the Conservatives, particularly as Mr Bergé is so close to the president. The Opéra Bastille seems set for another melodramatic year.



LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Eye eye eye

From Mr Adrian P Hewitt.

Sir, Congratulations on producing a page III at last ("Fashion: Undercover guide on what to buy her", December 24). I am sure the use of Roman numerals will prevent any drift down-market.

Adrian Hewitt,
16 Framfield Road,
London N5 1UU

BBC low-cost TV stations

From Mr Gordon D Lean.

Sir, Re Raymond Snoddy's article, "Broadcasting newcomer promises cost-effective TV" (December 21), on the new approach to television which TSW is adopting in the West Country, we at the BBC have not been slow off the mark to adopt low-cost solutions when building new TV stations.

For the BBC World Service TV network, our engineers took the project from concept to reality in less than three months, creating a fully automated three-camera studio, editing and transmission suites, and a newsroom for a fraction of the cost of TSW's bid.

Following our fact-finding mission to Europe, a big saving for this 24-hour network was the use of fluorescent studio lights which removed the need for additional air conditioning. This was all completed in 1991 and the network has been operating to an increasing worldwide audience ever since.

Gordon D Lean,
chief engineer,
news & current affairs,
BBC,
Television Centre,
Wood Lane, London W12 7RJ

No substitute for insuring safety of pensions benefits

From Mr Tom Shucksmith.

Sir, A central fund (Letters, December 24) is no answer at all to pensions protection. There can be no substitute for trustees ensuring there are adequate funds to secure at competitive insurance company rates the defined deferred benefits which fall to be preserved on winding-up on a guaranteed basis. It may be that some funds are so large that no UK insurance company is capable of accepting the risk and, in these circumstances, the substitution of money purchase benefits may be inevitable. Indeed, it should be available as an option to members of all wound-up schemes.

However, such options are no reason to permit the discharge of obligations by transfer payments to a discontinuance fund or other arrangements of lesser value than the insurance market cost of securing the defined benefits for each member. To substitute transfer values based on high assumed investment returns from equities is to substitute hope value for guaranteed benefits. Potential benefits, as a euphemism for expected benefits stripped of their guarantee, are not an acceptable substitute. The fact that, after completion of winding-up, a scheme no longer enjoys the financial support of the employer is an important factor which cannot simply be ignored.

Mr Cockbain's proposed discontinuance fund would be a solution if he and his partners personally guaranteed the deferred benefits to which members are entitled under preservation legislation. If they did, I suspect the "appropriate transfer payments" would be very much larger than they have in mind at present and that they would alter the proposed investment strategy radically away from equities and towards fixed-interest or index-linked securities which provide a much closer match to the liabilities to be met.

T S Shucksmith,
Shucksmith & Co,
consulting actuaries,
Lincoln House,
Nutley Lane,
Reigate,
Surrey RH2 9HP

Onerous burden in order to satisfy Inland Revenue

From Mr R LeGrove.

Sir, The Q & A Briefcase item, "How to work out that CGT bill" (December 19), highlights the onerous burden that this tax imposes. I had rather similar calculations to perform earlier this year when I sold some accumulation units; each tax voucher since March 1982 had to be indexed. I reached retirement age more than eight years ago but fortunately I am still sufficiantly numerate to cope.

Monthly savings schemes and accumulation funds are, by their nature, most likely to be cashed in by elderly persons who had prudently been using them to make extra provision for their old age. Many might find the calculations daunting if not altogether beyond them.

Pensioners ought not to find themselves obliged to incur accountants' fees in order to satisfy the Inland Revenue: a very poor reward for thrift.

The sums involved are unlikely to be large and a budget concession absolving the elderly from CGT liability on savings schemes of these sorts would be most welcome. Something for the chancellor to think about when he has a moment to spare.

R LeGrove,
9 Manor Gardens,
Saxmundham,
Suffolk IP17 1ET

Palestinians exiled not deported

From Mr J P de Rooy.

Sir, I would like to point out your erroneous word usage in relation to the exile of 400 Palestinians. In most articles you use "deport", "deportee", and "deportation" ("Court rejects appeal to reverse Israeli expulsion of Palestinians", December 23). According to my dictionary, deportation is the "banishment of an undesirable alien to his native country". "Deportation" would imply the Palestinians are "aliens", "undesirable" and that this practice by the Israeli government is lawful and within the right of any country.

The correct terminology should be either "exile" or "banishment". The term "expulsion" is preferable to "deportation".

J P de Rooy,
20 Copenhagen Gardens,
Southfield Road,
Chiswick, London W4 5NN

Inflation factor that makes early leavers the big pensions losers

From Mr Hugh Long.

Sir, Re Alan Smallbone's letter (December 30), I believe adequacy of pensions is more significant than security. Deferred members of defined benefits schemes subsidise schemes, via inflation, to provide promised benefits for the few who reach retirement with the same company.

You have reported a well-known insurance company as calculating the shortfall for early leavers to be equivalent to a 70 per cent increase in combined contributions to company schemes. I calculate that, nationally, the loss caused by inflation is about £20bn a year for early leavers.

Many deferred pensioners joined schemes as a condition of service. One can draw one's own conclusions on the ethics of such schemes and government reluctance to act decisively to end completely the anomaly created by inflation.

Hugh Long,
67 Dartmouth Park Road,
London NW5 1SL

Three groups' shares rise on drugs approval

By Daniel Green

THREE PRODUCTS from British drug companies have received approval for sale in the US. The move could bring in combined revenues of $1.5bn (£960m) a year by 1998.

In a year-end spate of approvals, the US Food and Drug Administration gave the go-ahead for Paxil, an antidepressant made by SmithKline Beecham, Manoplax, a heart drug from Boots, and Tilade, an asthma treatment developed by Fisons.

Paxil, branded as Seroxat in Europe, should be the biggest seller of the three. Analysts believe it could become one of only a handful of "blockbuster" drugs with sales of eventually of more than $1bn a year throughout the world.

Sales in the US should begin in the next few weeks. SmithKline Beecham shares rose 12p to 496p on New Year's Eve.

The approval of Fisons' Tilade ends a long period of uncertainty for the company. The drug, upon which Fisons has pinned hopes for rapid growth in the 1990s, has been awaiting US approval for almost six years.

In a departure from the company's usual practice, it will co-promote Tilade with Rhône-Poulenc Rorer, the US-based pharmaceuticals subsidiary of Rhone-Poulenc, the French chemicals group. In return, Fisons will co-promote Azmacort, RPR's asthma treatment, which works by a different mechanism. Tilade will not be launched in the US until the second quarter of 1993, but its shares advanced 15p to 245p on New Year's Eve.

Fisons also announced that it was abandoning attempts to revamp production of one of the suspended drugs, Iron Dextran, a blood product, to meet FDA requirements.

Boots was given a bigger boost than it expected by the terms of the approval of Manoplax. The FDA's advisory committee had recommended approval only for heart patients who could not tolerate another class of treatments called ACE inhibitors. The ruling allows Manoplax to be given to any heart patient not responding to other treatments.

Analysts forecast sales rising to $250m a year by 1998, and Boots shares responded with a gain of 12p to 561p.

The FDA approved a fourth UK product, Indiclor, an imaging agent used in the treatment of cancer and made by Amersham International. Although sales are likely to be small in relation to the size of the company, Amersham shares rose 17p to 619p.

Prospects receive an injection

Daniel Green on the effects of recent FDA rulings

THE FDA'S new year gifts to the UK pharmaceutical industry give the three companies concerned a flying start to the rest of the decade. The drugs approved are already selling well in markets outside the US, but approval in the world's biggest single market is central to their fortunes.

SmithKline Beecham's anti-depressant Paxil could be the company's biggest selling product by the end of the century, replacing the venerable Tagamet, the ulcer treatment that lost out to Glaxo's Zantac in the 1980s.

Paxil has only two significant competitors, Lilly's Prozac and Pfizer's Zoloft, but is cheaper than either. The low price will appeal to budget-conscious healthcare managers when it is launched in the next few weeks.

Fisons and Boots are even more dependent on the success of their new products. Approval for Tilade comes just nine months before the main patents run out on Fisons' existing asthma treatment Intal, and the company has no other significant products ready for submission to the FDA.

Approval is a watershed for Fisons. During most of the six years since the drug's submission, the company's relations with the FDA have deteriorated. FDA investigations led to licence suspensions on other products, and the company had to made 91 amendments to the Tilade submission.

Fisons shares fell sharply last year, which also saw the departure of several senior executives including Mr John Kerridge, the chairman and driving force during the 1980s.

Even now, the company's troubles are not completely behind it. The terms of the FDA approval mean that Tilade is unlikely to live up to the promise it once had. Clinical trials show that Intal is better than Tilade in several respects.

Fisons has recognised that Tilade will not replace Intal in many markets. Intal is used mostly by children and Fisons intends to market Tilade primarily to adult asthma sufferers, limiting its potential market.

For Boots, better known for its retail chain of pharmacies, Manoplax promises a break into the pharmaceutical big time. Congestive heart failure is estimated by the American Heart Association to affect as many as three million people in the US with 400,000 new cases being reported every year, says Boots.

Although analysts forecast sales of up to $250m (£165m) a year eventually, this is largely a stab in the dark. Survey figures on whether and how much Manoplax prolongs the lives of those who take it have yet to be compiled. If they show that patients live longer, as well as having symptoms relieved, the sales potential is far higher.

£268m ITN contract just makes deadline

By Raymond Snoddy

A FIVE-YEAR news contract for Independent Television News, worth a total of £268m, was finally signed on New Year's Eve after a year of negotiation.

Two of the new ITV broadcasters, Meridian and Westcountry, held out for better terms almost to the last moment. Lord Hollick's Meridian Broadcasting, which has replaced TVS as the ITV company for the south and south-east of England, was last to sign late on Thursday afternoon.

If Meridian had not signed a new supply agreement before midnight, it would technically have been in breach of its licence because it could not have provided a quality national and international news service.

ITN was determined to supply a news service only to those companies which had signed the five-year agreement before the new year.

The brinkmanship arose because of the suspicion among ITV companies which will not be ITN shareholders, that the £53.6m per annum deal might lead to large profits for the seven companies which will own ITN in future.

Five companies will each have 18 per cent; they are Carlton Communications, London Weekend Television, Central Television, Granada and Reuters, the international information group.

Scottish Television and Anglia Television will each have 5 per cent.

A group of rebels including HTV, Yorkshire-Counties, Westcountry and Meridian wanted an open-ended review of the contract after two years, in case costs were dramatically cut at the news organisation and ITN was making large profits for its new shareholders.

The Carlton-led negotiators opposed this on the grounds that it would have amounted to a break in the contract and a renegotiation. Instead stiff conditions have been set before a review is triggered involving a precise definition of excessive profits on capital employed.

A review is now only likely if there is a fundamental change in ITN's costs and the way it does its job. The final signing of the agreement means that the reconstruction of ITN and the move to a tighter group of owners will now go ahead.

Mr Michael Green, chairman of Carlton, is expected to become the new chairman of ITN in succession to Mr Richard Dunn, chief executive of Thames Television which gave way to Carlton Television as the London weekday ITV company at midnight on New Year's eve.

One of the first problems the new ITN shareholders will have to eolve is a potential annual deficit of £5m on its lease costs because of unlet space in the company's London headquarters.

Learnt from the lord and master

Roland Rudd charts the success of the Hanson old boy network

IF 1992 was a disappointing year for Lord Hanson, the chairman of Britain's biggest conglomerate, it was something of a vintage year for the group's former acquisition chiefs who have gone on to run their own companies.

One after another, the Hanson alumni took to the takeover trail in a manner reminiscent of their former mentor.

Mr Greg Hutchings, chief executive of Tomkins (who "graduated" from Hanson in 1983) outbid Hanson to buy Ranks Hovis McDougall. Mr John Newman, chief executive of TT Group, (class of 77) acquired Magnetic Materials and made an agreed bid for AB Electronics. Mr Chris Miller and Mr Philip Turner, chief executive and strategy director respectively of Wassall, (class of 87) launched their biggest bid to date for Evode, the chemicals and plastic group.

Lord Hanson, whose year was conspicuous for not pulling off a big deal, is delighted with the success of his former employees. "We like to think we are spreading our philosophy around" he said.

All members of the Hanson old boys club extol the virtues of working for their old boss. "It's the can-do, will-do attitude which is so laudable" says Mr Hutchings. "Hanson teaches you that you can get things done; there is no red tape". Mr Miller says Hanson fosters an entrepreneurial culture which is infectious.

Yet is there anything particularly unusual in Hanson's grooming of future chief executives? As Mr Hutchings puts it: "When you think that thousands of people have been through Hanson it is not that exceptional that some have done well".

If that is the case, argues one conglomerate analyst, why are there no chief executives of new companies who worked at Imperial Chemical Industries?

Lord Hanson likes to think that the difference between his group and other FT-SE 100 top companies is that he allows his executives at head office greater autonomy.

In giving them that freedom he believes he helped clarify their own ambitions. If you are expected to come up with new ideas and initiatives it is not that surprising, argues Lord Hanson, that some decide to take a risk and do their own thing.

If there is a leitmotiv that runs through the three conglomerates headed by former Hanson executives it is in their choice of targets. These tend to be lowish technology manufacturing businesses, which are not capital intensive.

However, all three, with varying degrees of emphasis, would take umbrage at being called copy-cats. TT Group and Tomkins, believe they are more focused than Hanson.

TT, which developed a reputation as an acquisitive industrial mini-conglomerate, has effectively transformed itself into an electronics product group through the purchase of Crystalate in 1990, the electronic components maker, and last year's takeover of Magnetic Materials, a USM-quoted maker of magnetic components, and now AB Electronics.

Tomkins, notwithstanding its decision to go into bread making, argues that its mixtures of businesses, from guns to lawnmowers, is less diverse than those acquired by Hanson.

Furthermore, both TT and Tomkins are generally not sellers of businesses. TT has only ever sold two divisions of companies it acquired and then only because it was offered "large sums of money" for them. While Mr Hutchings says he is not in the business of selling and buying companies since he is not as good at it as Hanson.

Wassall believes its decision to earmark $20m of capital expenditure at DAP, a US supplier of construction products and filling compounds, to replace old machinery over the next two years underlines its commitment to expanding and growing businesses – which is not what Hanson was best known for in the past.

Wassall's senior managers are closest to Lord Hanson, not least because Hanson backed them from the beginning by taking a stake in their company.

MR Hutchings believes there are both pros and cons to having Hanson as a shareholder. "It is great to have it but then they have an influence. You have to consider both the upside and the downside."

Mr Miller strongly disagrees. "They do not have any influence at all, we benefit from the relationship. We are able to ring up Lord Hanson from time to time and receive free advice."

Lord Hanson says his conglomerate took a stake in Wassall because it was asked to do so. "If Greg Hutchings had asked us we would have done it." Mr Hutchings says it was not in his nature to do so. While Mr Newman, believing the cost of shell companies to be prohibitively high, was not in a position to ask Lord Hanson to invest in a public company. Instead, he ran private companies for 10 years after leaving Hanson, before reversing one of them into Tyzack Turner, later renamed TT.

Wassall's ex-Hanson men are, however, aware of one possible downside of their close relationship with their former boss. They fear that they could face a public relations problem if Hanson was to sell his stake. It has already been diluted from 15 to 8 per cent. And, although Hanson has decided to take up its rights in Wassall's cash call to pay for Evode, Mr Miller believes that it may be in the best interests of both companies if Hanson slowly dilutes its stake further.

All of Hanson's former executives are aware that the bigger they get the greater the problem in finding the next target. Size maybe less of a concern to TT, the smallest and most lowly rated of the conglomerates run by former Hanson executives. But all three share Hanson's need to continue to make further acquisitions, to maintain their momentum.

Mr Hutchings received a nasty shock when Tomkins' shares fell sharply on news of his recommended bid for RHM, although they have recently recovered. Since Hanson's paper is less rated than Tomkins, it could not top Tomkins' £935m agreed hid for RHM without dipping deep into its cash reserves.

Lord Hanson says it was of no concern to him that he lost RHM since he was happy to let Tomkins take "the greater risk at a higher price". He remains confident that this year he will break out of the shadow of his former colleagues by going back on to the acquisition trail.

Lord Hanson (centre) is delighted with the success of former employees. He is flanked by two of them. Greg Hutchings (left) chief executive of Tomkins, and Chris Miller, who leads at Wassall

FT-A INDICES LEADERS AND LAGGARDS

Percentage changes since January 2 1992 based on Thursday December 31 1992

Water	+ 40.82	500 Share Index	+ 13.70
Banks	+ 38.94	Engineering-General	+ 12.83
Electronics	+ 36.53	Electricals	+ 11.42
Food Retailing	+ 34.76	Consumer Group	+ 10.74
Other Industrials	+ 33.72	Business Services	+ 10.19
Electricity	+ 31.91	Packaging, Paper & Printing	+ 9.81
Media	+ 30.53	Conglomerates	+ 8.67
Motors	+ 30.31	Brewers & Distillers	+ 7.72
Textiles	+ 26.34	Food Manufacturing	+ 7.63
Financial Group	+ 21.85	Hotels & Leisure	+ 6.89
Other Groups	+ 21.35	Metals & Metal Forming	- 5.07
Insurance (Composite)	+ 21.07	Chemicals	- 1.87
Telephone Networks	+ 20.67	Oil & Gas	+ 1.15
Stores	+ 20.46	Building Materials	- 0.86
Transport	+ 18.85	Health & Household	- 3.17
Insurance (Life)	+ 18.62	Engineering-Aerospace	- 6.86
Capital Goods	+ 18.25	Contracting, Construction	- 14.24
Industrial Group	+ 15.40	Property	- 18.21
Investment Trusts	+ 14.78	Insurance Brokers	- 15.46
All-Share Index	+ 14.78	Gold Mines Index	- 53.86
Merchant Banks	+ 13.88		

St Andrew directors say no to EIO

By Philip Coggan, Personal Finance Editor

The independent directors on the board of St Andrew Trust, the smaller companies investment trust, have said that the offer from the Ecclesiastical Insurance Office "merits careful consideration" but are not recommending acceptance.

The offer is a technical one being made to comply with new European Community regulations; EIO, which currently has a 40.3 per cent stake in St Andrew, needs to have a majority holding in the trust for capital adequacy purposes. However, it does not wish to acquire more than a 75 per cent stake, and thereby lose St Andrew's investment trust status.

Hanson Industries halts Costain's sale of its Australian coal business

By Nikki Tait in New York

HANSON Industries, the US arm of the British conglomerate, has won a preliminary injunction in the Missouri courts preventing Costain, the UK construction company, from selling its Australian coal mining business to Altus Finance, part of the French Credit Lyonnais banking group.

The court set a trial date for obtaining a permanent injunction for January 19. Costain, however, has filed an appeal over the ruling and requested expedited consideration.

Costain had originally agreed to sell the coal mining assets to a Hanson subsidiary, but subsequently announced that it had accepted a higher offer of $245m (£160m) from Altus. In early November, Hanson filed a suit in the US courts, seeking to have its $200m deal enforced and alleging that Costain had given the Hanson subsidiary exclusive negotiating rights.

McMaster chain of department stores has gone into receivership

By Andrew Bolger

McMASTER Stores, a chain of Scottish department stores bought out from the House of Fraser retail group in 1989, has gone into receivership.

The chain of seven stores, in towns such as Ayr, Irvine and Stirling, employs a total of 300 people. The receivers, Mr Iain Bennet and Mr Alan Jamieson of Price Waterhouse, hope to sell the stores soon, either separately or as a whole, to save their jobs.

McMaster acquired the medium-sized stores in a management buy-out from the al-Fayeds worth £6m, when House of Fraser decided to concentrate on outlets with more than 100,000 sq ft of floor space.

Charterhouse invested £1m in the buy-out, which carried a heavy level of debt. Although turnover was maintained through the recession, the chain incurred losses in the last two years. It has debts in excess of £4m, most of which is owed to Clydesdale Bank.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Period	Pool purchase price £/MWh	Pool selling price £/MWh
[illegible]	[illegible]	[illegible]

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Period	Pool purchase price £/MWh	Pool selling price £/MWh
[illegible]	[illegible]	[illegible]

NEWS DIGEST

Further losses at MMI

MMI, which sponsors and markets financial products, announced further losses in the six months to August 31, mainly because of continued lack of turnover in its core BES business.

Losses for the period amounted to £282,466 on turnover of £483,495. This compared with £382,824 for the previous 14 months period to February 28 1992, and with a deficit of £48,510 on turnover of £475,539 for the same period of 1991.

Mr Arthur Morton, chairman, said the group had made a significant reduction in costs which would be reflected in the second half of the year.

In November, the company agreed to purchase Moxon, Dolphin and Kerby, one of the largest and longest established UK recruitment advertising companies. Details of the purchase will be sent to shareholders shortly together with the terms of a rights issue to provide funds for additional working capital for MDK. The group raised £300,000 gross through a placing and open offer last October following which, Mr Morton joined the board as chairman.

The is no interim dividend (0.25p). Losses per share were 3.26p (0.42p).

AAH pays £2.4m for retail outlets

AAH Holdings has acquired four retail pharmacies in Norfolk from J & AL King for an initial consideration of £2.35m, satisfied by the issue of 465,000 shares. The shares will be retained by the vendors for not less than 12 months. A further sum not exceeding £450,000 will be payable in cash on ascertainment of the aggregate net asset values.

John Gunn leaves Smith New Court

Mr John Gunn, former chief executive of British and Commonwealth Holdings – the financial services group that collapsed two years ago – has resigned from the board of the stockbroker Smith New Court, after six years as a non-executive director.

Former Rank Xerox chief joins Sedgwick

Sir Derek Hornby has been appointed non-executive director at Sedgwick Group, the insurance broker, with effect from yesterday. He is 62 and is chairman of the British Overseas Trade Board; he headed Rank-Xerox from 1984 to 1990.

Mr Hugh Collum, finance director of SmithKline Beecham, a non-executive director since 1987, and Mr Rupert Hambro, managing director of JO Hambro and chairman of JO Hambro Magan, are both retiring.

Aran Energy $1.8m Gulf of Mexico deal

Aran Energy, the Dublin-based oil and gas exploration company, has acquired through its US eubsidiary Aran Energy Corporation, an additional producing interest in the north half of South Pass Block 37 in the Gulf of Mexico.

The consideration of $1.8m raises Aran's ownership from 1.25 per cent to 37.5 per cent and the Dublin company will operate the oil and gas field on behalf of Amoco, Chieftan International and Denny Offshore Exploration.

COMPANY NEWS IN BRIEF

BRITANNIA GROUP has sold its freehold interest in 296 High Street, Cheltenham, for £440,000. The building is let on a long lease with a rental income of £45,000 per annum.

DRAYTON CONSOLIDATED Trust: Liquidators announce that a distribution of £32.67m, equivalent to 95.5p per share, been paid to shareholders. A total of £2.31m, or 6.7p a share, is being held or is receivable by the liquidators, part of which will be required to meet the expenses of the liquidators.

ICI has completed the sale of its anionic surfactants business to Hickson International for £5.5m.

TRANSPORT DEVELOPMENT Group, which sold Willig Freight Linee to its senior management, has agreed to a delay in the final payment of $16.3m (£10.7m) until early 1993 as the process of a bond issue to fund the payment is taking longer than anticipated.

WASSALL: Rights issue of 64.7m underwritten stock units has received acceptances for 62.7m (96.8 per cent). When added to 5.7m non-underwritten units which Hanson has taken up pursuant to its irrevocable undertaking, total acceptances were 68.4m stock units (97.03 per cent).

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price p	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
§220	F.P.	–	250	231	Critchley Group	243		L6.1	2.2	3.3	17.2
–	F.P.	–	103	100	For. & Col. PEP Inv Tst	103		F3.38	–	4.4	–
100	F.P.	–	102	98	Hoare Govett Smlr Co's	101		–	–	–	–
90	F.P.	–	103	98	Hunters Armley	101		W3.38	2.2	4.5	13.5
51	F.P.	–	54	52	Intl. Food Machinery	52		–	–	–	–
–	F.P.	–	38	30	Jos Hldgs Cap	38		–	–	–	–
–	F.P.	–	92	87	Do. Inc.	92		F11.5	–	16.7	–
–	F.P.	–	110	101	Do. Zero Div. Pf.	110	+½	–	–	–	–
165	F.P.	–	183	168	National Express	181		W7.12	1.5	5.2	11.9
50	F.P.	–	53	53	OIS Intl.	53		N1.9	2.8	4.8	9.8
–	F.P.	–	1½	1½	#Prime People Warrants	1½		–	–	–	–
–	F.P.	–	103	95	Second Consolidated	97		–	–	–	–
65	F.P.	–	239	73	Tadpole Technology	166	–1	–	–	–	–
120	F.P.	–	208	157	#Tepnel Diagnostics	192		–	–	–	–
160	F.P.	–	225	165	Wetherspoon (J.D.)	225	+10	W4.8	2.6	2.8	18.2

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price £	+ or -
100p	F.P.	-	115¼p	104¼p	Bristol Water 8¾pc Pf.	115¼p	+¼
100p	F.P.	-	105½p	100½p	Commercial Union 8¾pc Cm. Pf.	105½p	+¼
100	F.P.	-	114½	104¾	NFC 7¼pc Cv. Bd. 2007	112¾	+¼
150p	P.P.	-	129p	98p	Wassall Non-Int Brg. Cv. ULS	129p	+2
-	F.P.	-	179p	177½p	Yeoman Inv. Zero Prf.	178p	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price p	+ or -
35	Nil	18/1	4pm	3pm	#Hillclare	3pm	
100	Nil	1/2	31pm	24pm	#Learmonth & Burchett	28pm	–1
85	Nil	5/2	1½pm	¼pm	Lonrho	¼pm	
5	Nil	–	1½pm	1½pm	Melville	1½pm	
25	P.P.	1/3	20	10	Property Trust	15	
2	Nil	11/2	¼pm	¼pm	#Regal Hotel	¼pm	
240	Nil	27/1	66pm	43pm	Selos Healthcare	66pm	+3

a Annualised dividend. b Figures based on prospectus estimates. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1993. L Estimated annualised dividend, cover and p/e based on latest annual earnings. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by way of rights. † Introduction. § Placing price. †† Reintroduction. ◆ Unlisted securities market. ◆ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

- First Dealings Dec. 21
- Last Dealings Jan. 8
- Last Declarations March 25
- For settlement April 5

3-month call rate indications are shown on page 9.

Calls in Amber Day, Berisford Intl., Crown Eyeglass, ML Labs., Speyhawk Pref. shares, Tadpole Tech. and Weir. Put in Whitbread A. Double in ASDA.

Banque Indosuez sets up FFr600m HQ leaseback

By Alice Rawsthorn in Paris

BANQUE INDOSUEZ, the French investment bank which has been one of the most prominent casualties of the Paris property crisis, has concluded a FFr600m ($109m) sale and leaseback deal for its headquarters with an unnamed French bank.

The leaseback deal, which should produce a profit of almost FFr600m, follows shortly after Suez, the French industrial and financial group that owns Indosuez, announced that it was pumping FFr900m into the bank in a recapitalisation package intended to compensate for the losses on its property portfolio.

The precarious state of the Paris property sector emerged as a serious problem last year for a number of French financial institutions. Paris property has been in the doldrums for three years, during which average rentals have fallen by 20 per cent.

As a result many of the banks and insurance companies, which are the main investors in the market, have taken significant losses on their property holdings.

Indosuez alone saw its net profits for the first half of 1992 fall to just FFr82m from FFr517m in the same part of 1991 after it was forced to treble its provisions to FFr1.39bn.

Mr Antoine Jeancourt-Galignani, chairman of Indosuez, said at the time that he hoped to avoid making a loss for the full year. The proceeds of the leaseback of the bank's grandiose head office on Boulevard Haussmann should eradicate that risk.

The transaction will also bolster Suez, which has been hit by the property problems of Banque La Hénin, another subsidiary. The deal comes while Suez is under pressure from Union des Assurances de Paris, the largest French insurer which is one of its biggest shareholders, over the latter's unsuccessful attempts to acquire control of Colonia, one of Suez's German subsidiaries.

A number of French companies have recently negotiated sale and leaseback deals as part of capital-raising exercises.

Pinault-Printemps sells kitchen chain to cut debt

By Alice Rawsthorn

PINAULT-Printemps, the French retailing group, has sold Mobis Expansion, a chain of kitchen furniture shops, to the Guy Elmarak furniture company as part of its ongoing programme of raising capital to reduce its debts.

Mobis, a chain of 41 shops across France, belonged to Conforama, the group of furniture stores bought for FFr4.4bn ($800m) by Pinault in 1991. The Conforama deal was one of the first stages of the transformation of Pinault, originally an obscure timber group based in Brittany, from an industrial concern into a broadly-based retailing group.

However Pinault has been burdened by heavy debts since late 1991 when it made a FFr5.3bn partial bid for the Au Printemps stores and mail order group. As a result it has for the past year been selling peripheral businesses to try to bring down its borrowings.

Initially Pinault concentrated on selling its original manufacturing and timber interests. More recently it has been looking for other ways of reducing its debt and in the autumn secured an injection of FFr1bn from Crédit Lyonnais, the French bank which is one of its main lenders. Mr François Pinault, chairman, is now reported to be negotiating to buy part of Crédit Lyonnais' junk bond portfolio.

Mobis fits into Pinault's new strategy while Pinault said the disposal would enable Conforama to concentrate on its core chain of furniture stores.

Court ruling clears way for Arnotts takeover bid

By Kevin Brown in Sydney

ARNOTTS, the Australian biscuit maker fighting a hostile takeover bid from Campbell Soup, the US food group, said it would appeal against a court ruling invalidating a 1985 shareholding agreement.

The judgment, delivered by the New South Wales supreme court on Thursday, clears the way for Campbell to pursue its A$8.80 a share offer, which values Arnotts at A$1.2bn ($827m).

Campbell, which already owns 32.9 per cent of Arnotts, is seeking a further 17.2 per cent for majority control, but has offered to buy all the 67.1 per cent of the shares it does not own.

Arnotts argued that the agreement between the companies prevented Campbell from voting more than 14.5 per cent of the stock or appointing a majority of directors unless it acquired more than 85 per cent of the shares.

However, Justice Windeyer ruled that the agreement was valid only while Campbell's shareholding remained below 40 per cent, freeing Campbell to seek control of Arnotts.

The agreement was drawn up in 1985 when Campbell took a friendly shareholding in Arnotts as part of its defence against an unwelcome takeover bid by Mr Alan Bond.

The judge said the agreement was intended to prevent Campbell from seizing control of Arnotts without paying for it. He said the agreement had no bearing on a full takeover offer.

Campbell delayed the closing date for its offer by two weeks in response to the ruling. The offer, which is with shareholders, will now expire on January 29.

Analysts say Campbell may have to raise its bid, following suggestions by the two largest institutional shareholders that the offer price was too low. An independent report commissioned by Arnotts valued the group at a minimum of A$10.78 a share. The shares closed at A$9.20 on the Australian Stock Exchange on Thursday.

Novell rallies ally for software war

Louise Kehoe on preparations to challenge Microsoft's expansion


Bill Gates at the New York launch of Windows for Workgroups

Novell, the US networking software company, is positioning itself for what may become the computer software marketing battle of the decade, with its planned acquisition of AT&T's Unix Systems Laboratories.

Novell is on a collision course with Microsoft, reigning champion of the software industry, in a fight to establish the dominant software system for the next generation of networked computer systems.

Currently, Novell is the leading supplier of software that manages the communications between computers linked on networks. Microsoft, however, leads the market for personal computer operating systems.

The functions of operating systems and network management systems are, however, beginning to overlap and the trend is expected to accelerate when Microsoft next year launches "Windows NT" a new version of its popular personal computer operating system that incorporates network management functions.

What is more, Microsoft has ambitions way beyond the desktop computer. Mr Bill Gates, Microsoft chairman and chief executive, has made no secret of the fact that with Windows NT he aims to address a broader segment of the computer market, including classes of computers that run the Unix operating system.

Thus Novell's acquisition of Unix represents a move to counter Microsoft's anticipated attack. By putting its marketing muscle behind Unix, Novell aims to accelerate the adoption of the AT&T developed operating system and reinforce its role as an "industry standard".

Yet with the acquisition of USL, Novell will also inherit a history of feuding over Unix which began in the mid-1980s with AT&T's unpopular steps toward "commercialising" the operating system through a partnership with Sun Microsystems, the leading workstation manufacturer.

Rival industry groups backed different versions of Unix, amid suspicions AT&T was favouring Sun over other computer makers.

These battles led to the formation of USL, in 1991, as an independent business unit that would develop Unix technology while providing all licensees with equal access to development plans. This was underscored by the acquisition of minority stakes in USL by several computer and software companies.

Novell's acquisition of USL will, however, once more place Unix under the control of a single company, potentially resurrecting the old "Unix wars".

"Since AT&T will no longer own USL, this eliminates some of the old prejudices that have kept Unix in two camps and can help lead to the unification of Unix," said Mr Willem Roelandts, Hewlett-Packard vice-president and general manager of the computer systems.

HP was a founding member of the Open Software Foundation, an industry group that emerged in opposition to AT&T's control over Unix. HP already has "an excellent relationship" with Novell, Mr Roelandts said. The same is true of several other open systems computer manufacturers.

Unix International, an industry organisation formed to back AT&T's version of Unix, was also quick to pronounce its approval of the Novell acquisition.

"As part of Novell, USL has pledged its commitment to fair and neutral access to Unix technology," said Mr Peter Cunningham, UI president and chief executive.

The willingness of Unix supporters to adopt Novell as their new champion and put aside the in-fighting that has characterised the open-systems movement over the past few years represents a strong endorsement of Novell. It also, however, suggests a closing of ranks in anticipation of the battle between Unix and Microsoft's Windows NT.

Banesto deal is key step in sale of Acerinox

By Tom Burns in Madrid

THE sale of Acerinox, the Spanish integrated stainless steel producer, to a multinational group has taken an important step forward with the sale of 24.9 per cent of its equity by Corporacion Banesto, the industrial holding group, to its parent, the retail bank Banesto, for Pta22.8bn ($202m).

The bank, which is understood to be negotiating with several groups interested in Acerinox, paid Pta9,500 per share to Corporacion Banesto compared with the market price of Pta6,340. This puts a price tag in excess of Pta100bn for Acerinox against a market value of between Pta60bn and Pta70bn.

The deal between the conglomerate and its controlling shareholder was viewed as window dressing for the industrial holding company's balance sheet, which will realise capital gains of about Pta4.9bn from the deal, and as an important step towards the sale of Acerinox, a company which for several months has been cited as ripe for disposal.

Under new guidelines governing ownership by banking institutions of industrial assets, Banesto, which consolidates its accounts with Corporacion Banesto, has to reduce its stake in companies such as Acerinox. Analysts believe that the change in the steel producer's equity from the industrial holding to the parent bank smooths the path towards its sale in addition to setting a notional price for the company.

Groups cited as expressing an interest in Acerinox include Ilva of Italy, South Africa's Gencor and Anglo American, France's Usinor-Sacilor and Nisshin Steel of Japan. Acerinox has a 33 per cent stake in a 110,000 tonnes Mexican cold rolling mill controlled by Mexinox and shares ownership with Armco of the US of North American Stainless with its 120,000 tonnes cold rolling mill in Kentucky.

Acerinox's first half consolidated profits this year fell by 69 per cent to Pta1.2bn.

Besnier's 8% stake in Bel fuels takeover speculation

By Alice Rawsthorn

BESNIER, the acquisitive French cheese group, has been building a stake in Bel, the maker of one of France's best known soft cheeses, fuelling speculation that it might eventually try to take control of the company.

The French cheese industry is in the throes of restructuring chiefly due to the expansion of Besnier, a family firm led by Mr Michel Besnier which recently bought les Caves de Roquefort after the Perrier takeover saga, and Bongrain, its chief competitor.

These companies have been steadily increasing their interests by buying up the smaller cheese makers that are finding it increasingly difficult to compete in the European market, now dominated by multinational groups, notably Nestlé and the hypermarket groups.

Besnier, which now makes annualised sales of FFr22bn ($4bn), disclosed this week that it has bought 8.1 per cent of Bel including 5 per cent of the voting stock. Bel is a publicly quoted company but controlled by the Fievet family. However Mr Robert Fievet, chairman, is 84. Rumours of his retirement have fuelled speculation about the future ownership of Bel.

French insurers top active list for cross-border deals

By Richard Lapper

FRENCH insurers have been the most active in European cross-border expansion while Italy has been the country most frequently targeted, according to a survey by Tillinghast, the management consultants and actuaries.

The survey lists 201 cross-border initiatives between 1987 and 1991, of which French companies were responsible for 54.

The favoured targets of the initiating companies were the developing markets of Italy (48) and Spain (25), while 29 of the new initiatives favoured France.

British companies were responsible for 45 initiatives, although only 14 have taken place in 1990 and 1991, and several of the earlier initiatives, such as those taken by Guardian Royal Exchange in Italy in 1989, have already unwound.

Swiss companies took 31 initiatives, Italian companies 17 and German companies 15.

The technique most favoured in cross-border initiatives was acquisition – either outright or by building up a stake.

Genuine co-operative agreements such as the merger between Amev of the Netherlands and Groupe AG of Belgium, were rare.

ECONOMIC DIARY

TODAY: Start of two-day summit meeting between Mr George Bush, US president, and Mr Boris Yeltsin, Russian president, in Sochi to sign Start 2 arms reduction treaty. Mr Alija Izethegovic, Bosnian president, Mr Radovan Karadzic, Bosnian Serb leader, and Mr Mate Boben, Bosnian Croat leader, due to arrive in Geneva for face-to-face talks on the Bosnian crisis. Inauguration of national defence and security council and civilian-led transition council designed to lead Nigeria to civilian rule on August 27.

MONDAY: US construction spending (November). First day of trading after Portugal lifted all remaining controls on capital movement, allowing foreigners into short-term public debt market for the first time and abolishing the present barrier between the domestic and offshore money markets. General Agreement on Tariffs and Trade negotiators are expected to resume efforts to wrap up Uruguay Round of world trade talks.

TUESDAY: UK official reserves (December). Major British banking groups' quarterly analysis of lending (September – November). London sterling certificates of deposit (November). Monetary statistics (including bank and building society balance sheets) (November). Bill turnover statistics (November). Sterling commercial paper (November). Money market statistics (November).

WEDNESDAY: Overseas travel and tourism (October). Advance energy statistics (November). New European Commission holds first formal meeting in Brussels. Indonesian budget.

THURSDAY: New vehicle registrations (November).

FRIDAY: Cyclical indicators for the UK economy (November – first estimate). Housing starts and completions (November). House renovations (third quarter). US unemployment (non-farms) (December); consumer credit (November).

FT-SE Actuaries Share Indices — THE UK SERIES

FT-Actuaries All-Share

EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section.

	Equity groups & sub-sections	Thu Dec 31 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Wed Dec 30 Index No.	Tue Dec 29 Index No.	Thu Dec 24 Index No.	Year ago (approx) Index No.	1992 High		1992 Low		Since Compilation High	Since Compilation Low
1	CAPITAL GOODS (175)	875.84	+0.4	6.41	4.89	20.32	31.00	872.26	873.55	868.91	740.66	929.04	20/5	664.23	9/9	1038.07 16/7/87	50.71 13/12/74
2	Building Materials (23)	889.03	+0.3	5.72	6.07	24.93	40.39	886.33	887.66	888.63	881.49	1121.52	11/5	617.65	9/9	1383.08 16/7/87	44.27 11/12/74
3	Contracting, Construction (26)	739.29	+1.2	3.79	6.71	70.39	37.49	730.43	727.71	723.63	862.03	1069.64	11/5	485.72	9/9	1951.50 16/7/87	71.48 2/12/74
4	Electricals (9)	2559.13	+0.8	6.56	5.91	19.93	109.61	2539.37	2529.07	2503.40	2296.79	2758.50	22/5	1874.89	20/10	3040.80 8/9/89	84.71 25/6/62
5	Electronics (28)	2354.29	....	6.52	3.66	19.45	52.39	2354.33	2370.17	2367.15	1699.48	2370.17	29/12	1655.93	13/1	2370.17 29/12/92	1229.01 8/10/85
6	Engineering-Aerospace (6)	296.57	+0.2	11.94	7.92	10.66	16.18	295.85	296.38	291.82	325.47	406.10	20/5	243.47	24/11	502.42 13/6/90	243.47 24/11/92
7	Engineering-General (43)	513.35	+0.7	7.87	4.59	16.19	17.35	510.00	509.93	505.55	455.80	567.62	20/5	409.31	9/9	567.62 20/5/92	339.57 23/1/91
8	Metals and Metal Forming (7)	322.95	+0.5	5.24	3.99	27.92	9.49	321.45	322.07	319.51	307.38	379.31	18/5	255.51	8/9	596.67 9/10/87	49.65 6/1/75
9	Motors (15)	376.76	+1.1	5.40	6.24	27.02	17.77	372.57	371.91	366.96	289.12	403.06	21/5	274.42	1/9	411.42 13/10/87	19.91 6/1/75
10	Other Industrials (18)	1999.80	+0.3	6.13	4.18	19.71	62.07	1993.62	1996.10	1984.97	1495.50	1999.80	31/12	1480.17	9/9	1999.80 31/12/92	277.55 15/1/81
21	CONSUMER GROUP (191)	1761.42	+0.6	6.62	3.33	18.79	43.25	1751.67	1764.78	1753.07	1590.62	1772.19	22/12	1446.17	25/8	1771.19 22/12/92	61.41 13/12/74
22	Brewers and Distillers (25)	2099.97	+0.1	7.92	3.61	15.29	54.23	2097.14	2112.31	2102.13	1949.50	2278.85	11/5	1812.14	5/10	2278.85 11/5/92	69.47 13/12/74
25	Food Manufacturing (18)	1329.54	+0.5	7.90	3.93	15.81	40.47	1323.35	1341.18	1342.86	1235.31	1342.86	24/12	1064.95	10/9	1342.86 24/12/92	59.67 11/12/74
26	Food Retailing (18)	3260.85	-0.2	7.91	3.12	16.45	70.26	3267.72	3388.34	3370.16	2419.31	3409.33	22/12	2293.80	10/1	3409.33 22/12/92	54.25 11/12/74
27	Health and Household (26)	4271.94	+1.5	5.21	2.65	22.33	88.04	4209.38	4201.63	4173.30	4411.95	4654.94	14/1	3648.63	26/8	4654.94 14/1/92	175.38 28/5/80
29	Hotels and Leisure (18)	1293.51	+1.3	6.50	5.33	20.32	46.03	1277.29	1264.89	1255.63	1210.11	1450.36	13/5	898.80	16/9	1845.77 8/9/89	54.83 9/1/75
30	Media (25)	1832.94	....	5.43	2.83	22.96	39.40	1833.58	1839.81	1829.53	1404.24	1839.81	29/12	1376.55	25/8	1839.81 29/12/92	1166.91 16/1/91
31	Packaging, Paper & Printing (17)	784.64	-0.1	6.65	4.15	18.64	24.33	785.46	790.69	786.22	714.55	875.53	13/5	633.17	16/9	875.53 13/5/92	43.46 6/1/75
34	Stores (33)	1166.85	+0.4	6.25	3.11	21.21	26.56	1162.22	1169.59	1150.59	968.67	1169.59	29/12	907.08	25/8	1169.59 29/12/92	52.63 6/1/75
35	Textiles (11)	751.77	+0.4	6.35	4.04	19.89	23.64	749.10	750.01	747.82	595.03	756.70	8/5	551.94	25/8	914.52 2/10/87	62.66 11/12/74
40	OTHER GROUPS (116)	1445.34	+0.3	8.57	4.83	14.37	50.02	1441.60	1444.88	1432.65	1191.03	1445.34	31/12	1140.56	3/4	1445.34 31/12/92	58.63 6/1/75
41	Business Services (17)	1527.06	+0.3	5.81	3.33	21.09	36.28	1522.66	1531.11	1510.80	1385.89	1531.11	29/12	1160.34	1/9	1531.11 29/12/92	892.28 1/2/91
42	Chemicals (22)	1432.45	+0.1	6.41	5.11	19.67	54.80	1430.45	1426.26	1404.13	1406.13	1629.99	8/5	1243.05	1/9	1629.99 8/5/92	71.20 1/12/74
43	Conglomerates (10)	1392.82	+1.6	8.47	8.49	13.47	54.22	1371.35	1385.58	1377.05	1281.70	1509.94	11/5	1087.92	2/9	1819.46 11/8/89	975.19 10/11/87
44	Transport (14)	2777.39	-0.1	8.08	4.29	14.88	88.31	2780.39	2810.81	2797.29	2336.86	2820.55	22/12	2133.26	26/8	2820.55 22/12/92	90.80 29/6/62
45	Electricity (16)	1581.39	+0.4	13.71	4.81	9.38	56.57	1575.85	1568.80	1560.45	1199.76	1581.39	31/12	1044.63	7/4	1581.39 31/12/92	994.96 7/1/91
46	Telephone Networks (4)	1689.29	+0.3	7.89	4.05	16.48	65.69	1684.89	1688.67	1664.38	1399.96	1699.21	1/12	1274.20	3/4	1699.21 1/12/92	517.92 30/11/84
47	Water (11)	3275.94	-0.2	13.95	5.41	7.96	122.00	3282.43	3268.88	3235.89	2186.49	3357.97	11/11	2140.95	8/4	3357.97 11/11/92	1820.20 1/5/90
48	Miscellaneous (22)	2489.17	-0.2	5.70	4.07	21.66	61.03	2493.70	2501.52	2510.24	1779.89	2533.67	22/12	1770.94	3/1	2533.67 22/12/92	60.39 6/7/75
49	INDUSTRIAL GROUP (482)	1440.84	+0.4	7.23	4.10	17.26	42.91	1434.64	1441.37	1431.28	1248.59	1441.37	29/12	1168.49	1/9	1441.37 29/12/92	59.01 13/12/74
51	Oil & Gas (18)	2253.15	+1.0	5.91	5.77	22.24	103.27	2231.27	2237.08	2212.49	2226.66	2253.15	31/12	1756.72	7/8	2528.70 3/8/90	57.23 29/5/62
59	500 SHARE INDEX (500)	1517.38	+0.5	7.09	4.28	17.67	47.72	1510.01	1516.77	1506.53	1334.49	1517.38	31/12	1228.86	26/8	1517.38 31/12/92	63.49 13/12/74
61	FINANCIAL GROUP (82)	879.08	....	-	4.99	-	33.33	878.60	882.30	881.27	722.62	882.30	29/12	631.13	25/8	896.67 13/10/87	55.88 13/12/74
62	Banks (9)	1198.82	+0.5	5.09	4.65	29.59	41.81	1193.04	1197.92	1192.99	856.69	1205.51	10/11	790.95	3/4	1205.51 10/11/92	62.44 12/12/74
65	Insurance (Life) (6)	1770.52	-1.2	-	5.13	-	68.16	1791.31	1810.13	1812.98	1492.66	1816.89	23/12	1243.61	6/4	1816.89 23/12/92	44.88 2/1/75
66	Insurance (Composite) (7)	631.22	-0.7	-	4.77	-	22.58	635.79	638.50	642.89	521.36	655.66	22/12	418.66	27/7	768.11 29/12/89	43.96 13/12/74
67	Insurance (Brokers) (10)	778.33	+0.6	7.97	6.86	16.86	48.05	773.87	776.21	783.08	966.34	1031.35	27/1	527.43	25/8	1399.56 17/7/87	65.86 16/12/74
68	Merchant Banks (6)	504.29	+0.2	-	4.53	-	16.75	503.24	499.39	493.69	442.82	521.89	22/5	395.41	28/8	547.59 12/10/87	31.21 7/1/75
69	Property (30)	643.22	-0.1	8.47	6.56	15.48	33.09	643.96	646.85	648.02	786.38	799.69	20/1	464.71	16/9	1398.87 5/9/89	56.01 20/4/65
70	Other Financial (14)	303.44	+0.4	6.60	5.52	19.95	11.63	302.18	301.58	300.98	231.83	303.44	31/12	215.81	2/9	603.48 16/7/87	33.29 17/12/74
71	Investment Trusts (69)	1341.00	+0.2	-	3.24	-	32.11	1338.18	1339.38	1335.74	1168.27	1341.00	31/12	1024.12	25/8	1341.00 31/12/92	71.12 13/12/74
99	ALL-SHARE INDEX (651)	1363.79	+0.4	-	4.35	-	43.73	1358.06	1363.97	1355.18	1188.44	1363.97	29/12	1086.13	25/8	1363.97 29/12/92	61.92 13/12/74

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Thu Dec 31	Day's change %	Wed Dec 30	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (24)	127.70	+0.06	127.62	1.92	12.73
2	5-15 years (23)	146.42	+0.05	146.34	2.35	13.51
3	Over 15 years (8)	153.33	+0.08	154.01	1.89	12.95
4	Irredeemables (6)	171.84	-0.06	171.95	1.35	14.68
5	All stocks (61)	142.45	+0.06	142.46	2.16	13.43
	Index-Linked					
6	Up to 5 years (2)	183.89	+0.02	183.84	1.00	3.68
7	Over 5 years (11)	165.73	....	165.74	0.81	4.93
8	All stocks (13)	166.97	....	166.98	8.83	4.74
9	Debs & Loans (62)	124.19	+0.03	124.16	2.77	11.42

AVERAGE GROSS REDEMPTION YIELDS

			Thu Dec 31	Wed Dec 30	Year ago (approx.)	1992 High		1992 Low	
	British Government								
1	Low	5 years	7.17	7.12	8.95	10.03	15/9	6.80	9/11
2	Coupons	15 years	8.17	0.16	9.35	9.72	1/4	8.06	12/11
3	(0%-7¾%)	20 years	8.42	8.41	9.35	9.72	1/4	8.34	12/11
4	Medium	5 years	7.47	7.46	9.82	10.28	1/4	7.11	11/11
5	Coupons	15 years	0.56	8.55	9.45	9.82	1/4	S.47	11/11
6	(8%-10¾%)	20 years	8.74	0.74	9.40	9.76	1/4	8.71	12/11
7	High	5 years	7.70	7.69	10.04	10.50	1/4	7.35	9/11
8	Coupons	15 years	8.82	8.82	9.51	9.96	1/4	0.76	11/11
9	(11%-)	20 years	8.91	8.91	9.44	9.90	5/10	8.87	11/11
10	Irredeemables (Flat Yield)		8.83	8.81	9.54	9.92	2/4	8.69	11/11
	Index-Linked								
11	Inflation rate 5%	Up to 5yrs.	2.55	2.53	4.14	5.06	16/9	2.25	11/11
12	Inflation rate 5%	Over 5 yrs.	3.83	3.83	4.42	4.76	16/9	3.47	30/10
13	Inflation rate 10%	Up to 5 yrs.	1.74	1.71	3.50	4.23	16/9	1.50	13/11
14	Inflation rate 10%	Over 5 yrs.	3.65	5.64	4.24	4.56	16/9	3.49	30/10
15	Debs &	5 years	0.88	8.88	11.30	11.51	6/4	8.62	11/11
16	Loans	15 years	9.82	9.82	11.01	11.22	6/4	9.68	11/11
17		25 years	10.01	10.01	10.79	11.02	6/4	9.93	11/11

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
Business Services	31/12/90	999.65	Telephone Networks	30/11/84	517.92	Food Manufacturing	29/12/67	114.13
Electricity	31/12/90	999.65	Electronics	30/12/83	1646.65	Food Retailing	29/12/67	114.13
Media	31/12/90	1228.68	Other Industrial Materials	31/12/80	287.41	Insurance Brokers	29/12/67	96.67
Engineering - Aerospace	29/12/89	486.00	Health/Household Products	30/12/77	261.77	All Other	10/4/62	100.00
Engineering - General	29/12/89	486.00	Other Groups	31/12/74	63.75	British Government	31/12/75	100.00
Water	29/12/89	1968.45	Industrial Group	31/12/70	128.20	Do. Index-linked	30/4/82	100.00
Conglomerates	31/12/86	1114.07	Other Financial	31/12/70	128.06	Debs & Loans	31/12/77	100.00

The FT-Actuaries All Share Index is calculated by the Financial Times Limited in conjunction with the Institute of Actuaries. The FT-SE 100, FT-SE 250 and the FT-SE Actuaries 350 indices, the FT-SE Actuaries Industry Baskets and the FT-Actuaries All-Share Index are members of the FT-SE Actuaries Share Indices series which are calculated in accordance with a standard set of ground rules established by the The Financial Times Limited and London Stock Exchange in conjunction with the Institute of Actuaries and the Faculty of Actuaries. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited.

LIFFE EQUITY OPTIONS

Option		Calls Jan	Apr	Jul	Puts Jan	Apr	Jul
[illegible]		[illegible]					
Sainsbury (*564)	550	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	600	5	18	30	40	46	55
Shell Trans. (*562)	550	21	29½	38	8	21	27
	600	3	8½	18	43	56	58
Storehouse (*202)	200	6	16	23	8	14	19
	220	3	8	15	22	26	32
Trafalgar (*79)	70	10½	14	16	2	4	5½
	80	4½	8	12	6	9	12
Utd. Biscuits (*354)	330	27	30	39	3	12	16
	360	8	17	24	13	26	31
Unilever (*1113)	1100	35	58	78	16	38	49
	1150	11	32	55	45	67	77

Option		Calls Feb	May	Aug	Puts Feb	May	Aug
Brit. Aero (*165)	160	21	28	35	15	25	29
	180	12	21	27	26	37	42
[illegible]		[illegible]					
Abbey Natl. (*389)	360	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	390	21	27	34	25	28	33
Amstrad (*23)	20	5½	6½	7½	2	2½	3
	25	2½	4	5	4½	5	6
Barclays (*381)	360	39	46	50	21	27	34
	390	24	30	36	38	43	51
Blue Circle (*198)	180	30	35	40	12	21	24
	200	20	26	33	19	30	36
British Gas (*291)	280	22	23	29	7	14	16
	300	11	15	19	16	23	27
Dixons (*259)	240	33	40	45	10	15	20
	260	20	29	35	19	24	29
Eurotunnel (*339)	330	38	52	63	23	30	36
	360	23	37	48	40	47	53

FT-SE INDEX (*2843)

	2650	2700	2750	2800	2850	2900	2950	3000
CALLS								
Jan	196	147	103	63	33	13	6	2½
Feb	223	182	1144	110	80	58	40	25
Mar	245	205	169	136	107	82	62	46
Apr	259	219	185	152	123	98	77	60
Jun †	-	248	-	182	-	128	-	87
PUTS								
Jan	4	6	11	22	45	80	125	175
Feb	22	30	42	60	82	109	143	183
Mar	33	43	57	75	96	123	155	192
Apr	43	54	68	85	108	134	165	198
Jun †	-	70	-	103	-	150	-	212

31 December Total Contracts 8,357
Calls 5,564 Puts 2,793
FT-SE Index Calls 1,021 Puts 1,668
Euro FT-SE Calls 131 Puts 26
*Underlying security price. † Long dated expiry months.
Premiums shown are based on closing offer prices.

FT FIXED INTEREST INDICES

	Dec 31	Dec 30	Dec 29	Dec 24	Dec 23	Year ago	High *	Low *
Govt Secs (UK)	94.34	94.41	94.09	94.07	94.05	86.28	95.54	85.11
Fixed Interest	109.81	109.67	109.46	109.43	109.26	96.61	110.28	87.15

* for 1992. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 110.28 (12/11/92), low 50.53 (3/1/75). Basis 100 Government Securities 15/10/26 Fixed Interest 1928.

GILT EDGED ACTIVITY

	Gilt edged bargains*	5-Day Average
Dec 30	63.3	73.5
Dec 29	51.1	76.6
Dec 24	40.9	88.4
Dec 23	89.1	97.0
Dec 22	123.0	99.7

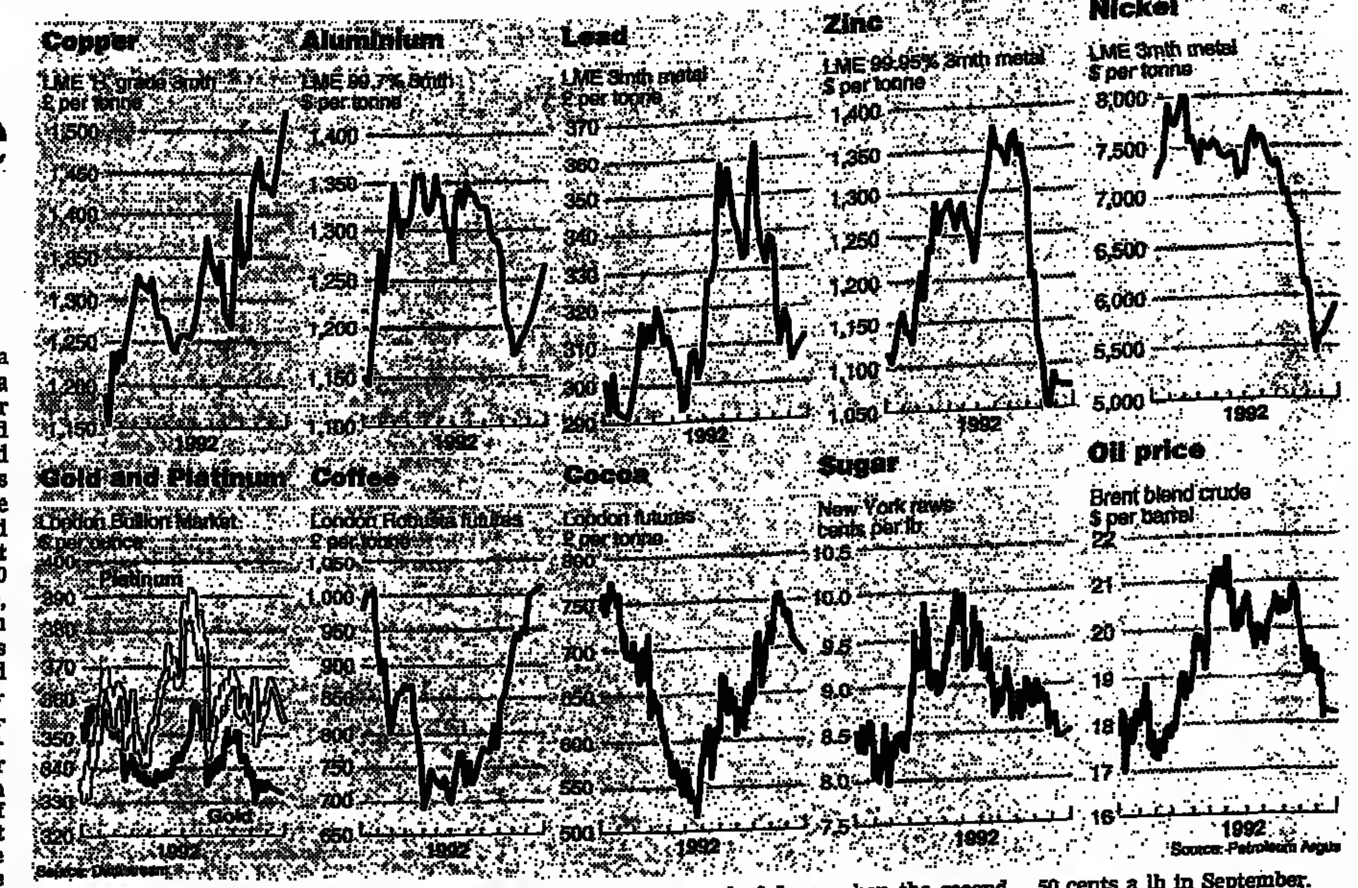
* SE activity indices rebased 1974

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS	p	Cadburys	36	Hanson	20	Ratners	3	Land Sec.	40
Allied-Lyons	50	Charter Cons.	52	ICI	75	Reed Intl	52	MEPC	30
Amstrad	3½	Comm Union	52	Ladbroke	15	Sears	5	■ OILS	
Astec (BSR)	3½	Courtaulds	48	Legal & Gen	38	SmKl Bchm A	40	Aviva Pet	5
BAT Inds	75	Eurotunnel	30	Lex Service	18	TI	28	BP	21
BOC	58	FKI	12	Lloyds Bank	45	TSB	12	Burmah Castrol	60
BTR	41	FNFC	7	Lonhro	7	Tesco	20	Conroy Pet	6
Barclays	30	Forte	14	Lucas Inds	13	Thorn EMI	70	Gaelic Res	½
Blue Circle	22	GKN	40	Marks Spencer	25	T & N	15	Premier Cons	2½
Boots	42	Gen Accident	31	NatWest Bank	30	Unilever	72	Shell	36
Bowater	40	GEC	22	P & O Dfd	40	Vickers	5	■ MINES	
Brit Aerospace	24	Glaxo	55	Racal Elect	12	Wellcome	75	RTZ	52
British Steel	5	Grand Met	40	RHM	14	■ PROPERTY			
BT	28	GRE	15	Rank Org	53	Brit Land	7		

YEAR IN THE MARKETS

Prices end back at square one after another turbulent year



RECESSION and continued turbulence in the former Soviet Union have left commodity prices little changed at the end of the year from those seen last January. But that bald statement belies the level of activity in the markets.

On the London Metal Exchange the flood of imports from the former Soviet Union pushed nickel prices sharply down and kept a firm lid on the aluminium market, where warehouse stocks now stand above 1.5m tonnes. The zinc market suffered a classic squeeze. Copper, still traded in sterling, appears to have risen sharply until the figures are converted to dollars – around $1 a lb looks set to be the going rate this January as last.

Gold has fallen further, hit by an almost total lack of interest from investors. Both platinum and silver have continued to settle into their relatively new roles as industrial metals.

Cocoa and coffee prices have touched their lowest levels for 20 years or more before recovering. The lack of activity in the sugar market has left London with virtually no futures trading.

Gold fell to a six-year low in late March as it crashed through what many traders had seen as the last line of defence - $342 a troy ounce. Persistent selling, some of it thought to be on behalf of an eastern European central bank, coincided with Ramadan, the Islamic fast, which kept most Middle Eastern operators away from the market.

By Easter gold was at a fresh low of $336.80 a troy ounce, with dealers predicting that the price was bottoming out. They were proved right for a time as the market started to climb, brushing aside an announcement by the Belgian central bank that it had sold 202 tonnes from its reserves.

Platinum was also rising as South African unrest made users reluctant to go short in case of a miners' strike. In July the platinum price hit the year's high of just over $390 a troy ounce. But some analysts pointed out that the market was ignoring weak demand from Japan and continuing recession in the US.

Gold reached its peak for the year of just under $360 a troy ounce a few days after platinum – and then both markets slid steeply, leaving one analyst just two weeks later describing $355 for gold as "like the Matterhorn". On one mid-August day gold fell by more than $8 and platinum by $16 a troy ounce.

The withdrawal of US investment funds sparked the gold fall, which was exacerbated by more news of central bank selling – this time from Uruguay, which unloaded 50,000 troy ounces in July in order to buy fixed term deposits denominated in US dollars and D-marks. Platinum slid along with the Japanese equity market.

The European currency market jitters of September gave some support to gold, but South African and Australian producers were able to lock in profits in their own currencies through forward selling. Gold has not had a good year; Middle East sales in November finished the battering from central banks, the total lack of investor interest and took the market to a 7-year low of $329.30. It has not made much headway since, closing at $333.05 a troy ounce on Thursday, down about $20 on the year.

Platinum ended the year at $355.25 a troy ounce, some $20 above its price at the beginning of the year. Optimism about a recovery in Japanese demand and positive charts point to further gains, analysts believe.

Silver hit an 18-month low of 364.75 cents at the end of August and closed at 367.5 on Thursday, 20 cents down on the year. The biggest excitement of the year was the Saudi sale via the National Commercial Bank of Jeddah of $160m-worth of silver – equivalent to more than 10 per cent of world demand – in just two hours early in July, knocking more than 20 cents off the price.

Like most of the base metals copper began the year in a fairly hopeful mood. Chilean strike fears and technical factors had helped to lift prices to 2½-month highs by mid-February, before some of the gains were relinquished in response to reports that Russia, hungry for hard currency, was planning to cut export duties on the metal. In the spring talk of Chinese buying was partly counteracted by concern about the effects of a possible strike in Germany, one of the biggest importers of copper, but as London Metal Exchange warehouse stocks began to be reduced and US recovery hopes started to grow prices climbed to 12-month highs by mid-June.

Bullish sentiment continued – fuelled by concern about supply tightness, Polish labour tension, bad weather in Chilean producing areas and expected demand growth – and a month later copper prices stood at the highest level for 18 months.

From that point the picture becomes blurred by sterling's extreme weakness against the US dollar, in which base metals are traded worldwide. The effect of the pound's decline, most of which was concentrated in the dramatic mid-September devaluation, on copper prices is illustrated by the fact that the two-year sterling high reached in early November equated to a nine-month dollar low. And that factor has continued to dominate the market.

The three months copper price closed on Thursday at £1,538 a tonne, £350 up on the year. But once the currency distortion is stripped out the 12-month advance comes down to a much less impressive £78 a tonne.

For lead, the LME's other sterling-denominated contract, the devaluation effect is even more pronounced, turning what would have been a £60 fall into an apparent £8 rise on the year, at £308.75 a tonne for three months metal.

After a flat start to the year, depressed by sluggish car battery sales, the LME lead market found support in production problems, notably in Italy and Yugoslavia, followed by signs of a technical squeeze on nearby supplies and reports of Chinese buying. Between them, and helped by the pound's weakness, these factors lifted the lead market to a 12-month peak in July. And that was exceeded in the September market as a direct result of sterling's plunge. By the end of November, however, the market's fundamental weakness had been reasserted and prices were back to five-month lows.

Another LME market to feel the effects of a squeeze this year was zinc. Signs of the coming technical suppy tightness were apparent from the start of the year, though they tended to be obscured by the effects of production problems in Italy, Peru, Canada, Mexico and the US, among others. Hopes of a US retail upturn were also cited as zinc prices reached 15-month highs in March.

But from then on the squeeze was the undoubted dominant factor. The normal "contango" situation, with the cash price at a discount to forward positions, was reversed in late March and the "backwardation", as a cash premium is known, widened inexorably until it reached an extraordinary $189 a tonne in the middle of June.

In normal circumstances a backwardation would suggest a shortage of metal available for delivery, but that hardly fitted in with this year's sustained rise in LME warehouse stocks of zinc, which, by the time the cash premium appeared, had grown from 152,000 tonnes at the start of the year to 221,000 tonnes. It was clear, therefore, that some sort of distortion (not to say manipulation) was afoot. The exchange responded by imposing a descending ceiling on the one-day backwardation – is on the cost of carrying forward a short position for one day. The backwardation had disappeared by the end of July, though it made frequent reappearances before the squeeze, suspected to be the work of a group of producers, could confidently be said to be over in early October.

With fundamental considerations taking over direction of the market and the rise in LME stocks continuing the ensuing price slide saw the three months price retreat some $300 from its summer level to end the year at $1,079.50 a tonne, down $35.50 on balance.

The aluminium market had been weighed down in 1991 by the unprecedented growth of the stockpile in LME warehouses, which began 1992 by passing the unwelcome milestone of 1m tonnes. There were hopes that the flood of metal from the former Soviet Union that had been largely responsible for swelling LME stocks would soon abate, especially in view of the inefficiency of smelters in the newly independent republics and their much-vaunted espousal of market economics. But the republics' hunger for hard currency proved greater than their commitment to industrial efficiency and with CIS exports remaining very high the LME stockpile grew by another 500,000 tonnes.

Perhaps surprisingly, the market took this pretty much in its stride and the three months LME price ended the year $110 to the good at $1,260.50 a tonne.

Gains early in the year were mostly lost in the summer as hopes of economic recovery faded and the gloomy truth about CIS export prospects became apparent. But in the latter part of the year the market was encouraged by the announcement of production cuts.

The biggest loser on the LME last year was nickel. The mood was bright enough early on as traders looked forward to big production cuts in response to the low price level and, as with aluminium, a slackening of CIS exports. The former came too late, however, and the latter came not at all, and the six-month highs seen in February proved to be the year's peak.

By the time Inco of Canada instituted a round of output cuts in October nickel prices had fallen to two-year lows and LME stocks of the metal had risen by 300 per cent on the year so far to nearly 50,000 tonnes. In those circumstances the market was looking for an upturn in demand, especially in the stainless steel sector, to give it the necessary shot in the arm, not simply a reduction in output. Further production cuts were subsequently announced by Falconbridge of Canada, Cuba's state-run producer and Western Mining of Australia – amounting in all to nearly 38,00 tonnes in a full year – but the price slide continued and LME three months nickel closed on Thursday at $6,023 a tonne, down $1,192 on the year.

By comparison, the tin market had a good year. LME stocks rose by only 7.4 per cent to 14,710 tonnes and the three months price ended 1992 up $240 at $5,845 a tonne.

A life-of-contract low of $5,485 had been registered at the beginning of the year but by mid-February the market was at a six-month high, reflecting concern about shipment delays from Brazil and Malaysia, the two biggest suppliers. The bullish mood continued throughout the first half, lifting the price to a 25-month high of $6,950 a tonne, before a reaction was caused by Brazilian and Chinese selling and bearish technical factors. But the market was moving higher again before the new year, encouraged by buying in Kuala Lumpur and activity in the options market.

For the oil market in general 1992 proved a disappointing year and for members of the Organisation of Petroleum Exporting Countries a worrying one.Having started at the low level of about $17 a barrel the Brent crude price was buoyed in the spring by optimism about the prospects for demand when the expected industrial recovery began. And the price moved above $20 a barrel for the first time in six months when Opec ministers agreed unexpectedly in May to roll over its second quarter production ceiling of 22.98m b/d into the third quarter, rather than anticipate the rise in demand.

But by November, in the absence of the expected demand boost, the market was looking for Opec ministers to agree substantial production cuts at their meeting in Vienna. When this did not happen prices fell sharply and it took the political turmoil in Russia, the world's biggest producer, to lift Brent crude back above $18 a barrel last month.

Of the softs, cocoa began the year in the most optimistic mood as the market looked forward eagerly to the first annual supply deficit for eight years. But, with collapsing demand from the former Soviet Union, hopes of higher prices proved to be a pipe dream, with the market failing to regain the 1991 peak of £829 a tonne.

The second position contract on London Fox opened the year at £745 a tonne. The market continued an almost unbroken decline for the next six months. The nadir came at the end of June, when the second position contract fell to £509 a tonne, the lowest level for more than 16 years. At these levels countries of origin, including the Ivory Coast, were reluctant to sell, and were also pinning some hope on the outcome of Geneva talks on a new international agreement.

The market began a slow climb back to more than £750 a tonne in early November, given a boost by sterling's devaluation and an Ivory Coast decision to ban the sale of small beans. But London prices have ended close to £700 a tonne, and it is worth noting that the nearby New York contract which began the year at $1,245 a tonne, closed it at $936.

The Economist Intelligence Unit is predicting a small deficit of 43,000 tonnes for 1992-93, while the US Agriculture Department estimates production and supply in balance at 2.35m tonnes. The EIU expects the next round of talks on a cocoa pact in February to end with a purely administrative pact, and is predicting prices to average about the same as in 1991 at 55 cents a lb.

Coffee prices, like cocoa, went into a steep slide from the beginning of the year. The London robusta market fell by more than $300 to hit 22-year lows at the beginning of May. The high level of consumer stocks – 19m bags (60 kg each) – left producers with little option but to sell for what they could get.

Throughout the summer the market edged higher, keeping an eye on the international Coffee Organisation's interminable negotiations on a new international agreement. The different supply and demand picture for robustas and arabicas kept London steady while New York arabicas went below 50 cents a lb in September.

But by the end of October both markets were rallying strongly as traders enjoyed a total change in sentiment, mainly on perceptions of a smaller 1992-93 crop in Brazil, the biggest producer, and Colombia. In December, London's second position robusta contract broke through the $1,000 a tonne level for the first time since January 8.

The EIU believes the recent rise has been overdone. Consumer stocks are still high and this month's ICO talks are likely to be inconclusive, pushing a new coffee agreement back to 1994.

The centre of gravity for world sugar prices has moved decisively from London to New York, where speculative money provides liquidity. The second position New York raw sugar futures contract has ranged between 8 and 10 cents a lb throughout the year – another market with more than enough production to satisfy demand. For much of the last few months the market has been stuck between 8.5 and 9 cents – a narrow range with depressingly low traded volumes, according to E.D. & F. Man's latest sugar report. But this contrasted with increased volumes of freely traded sugar following the dissolution of the Cuban trading arrangements with Comecon, Man pointed out.

A November report from the UN Food and Agricultural Organisation predicted trade expansion for sugar, but believed that by the turn of the century prices would still be about 10 cents a lb in 1990 terms.

By David Blackwell and Richard Mooney

WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES	Latest prices	Change on week	Year ago	High 1992	Low 1992
Gold per troy oz.	$333.05	+0.2	$353.35	$358.40	$332.30
Silver Per troy oz	242.50p	-1.25	208.0p	249.50p	187.58p
Aluminium 99.7% (cash)	$1227.5	+1	$1113.5	$1339.0	$1105.5
Copper Grade A (cash)	£1521.0	+54.5	£1154.75	£1521.0	£1125.0
Lead(cash)	£298.5	+2.5	£290.25	£383.5	£278.50
Nickel (cash)	$5960	+95	$7155	$8195.0	$5315
Zinc SHG (cash)	$1061.0	+2.5	$1166.25	$1457.5	$1019.0
Tin (cash)	$5785	-10	$5577.5	$7115.0	$5425.0
Cocoa Futures (May)	£709		£766	£751	£523
Coffee Futures (Mar)	$1023		$552	$1039	$676
Sugar (LDP Raw)	$211.0	+6	$230.5	$272.6	$193
Barley Futures (Jan)	£132.00	+0.8	£122.50	£138.10	£106.90
Wheat Futures (Jan)	£136.30	+0.05	$129.40	£138.60	£109.85
Cotton Outlook A Index	54.85c	+0.4	61.35c	65.90c	52.25c
Wool (64s Super)	399p	+1	415p	480p	364p
Oil (Brent Blend)	$18.225x	-0.4	$17.675	$21.30	$17.00

Per tonne unless otherwise stated. †Unquoted. p-pence/kg. c-cents lb. x-Feb.

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)(Jan)		+ or -
Dubai	$16.15-6.20C	
Brent Blend (dated)	$17.80-7.85C	
Brent Blend (Feb)	$18.20-8.25C	
W.T.I (1 pm est)	$19.50-9.60C	
Oil products (NWE prompt delivery per tonne CIF		+ or -
Premium Gasoline	$191-192	-0.5
Gas Oil	$179-180	-1
Heavy Fuel Oil	$73-74	
Naphtha	$177-178	-2
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$333.05	
Silver (per troy oz)♣	367.5c	-1
Platinum (per troy oz)	$355.25	+0.45
Palladium (per troy oz)	$106.25	
Copper (US Producer)	108.0c	
Lead (US Producer)	33.8c	
Tin (Kuala Lumpur market)	14.63r C	
Tin (New York)	267.5c	
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	114.89p	
Sheep (live weight)†♣	83.10p	
Pigs (live weight)†	88.17p	
London daily sugar (raw)	$211.0w C	
London daily sugar (white)	251.0w C	
Tate and Lyle export price	£248.0 C	
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	Unq	
Wheat (US Dark Northern)	Unq	
Rubber (Feb)♥	84.25p C	
Rubber (Mar)♥	84.75p C	
Rubber (KL RSS No 1 Jan)	231.0m	
Coconut oil (Philippines)§	$475y	
Palm Oil (Malaysian)§	$407.5	+2.5
Copra (Philippines)§	$302.8	
Soyabeans (US)	£173.0	
Cotton "A" index	54.85c	
Wooltops (64s Super)	399p	+1

C Rates shown for Dec30. £ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Feb/Mar u-Feb.x-Aug.w-Dec/Jan. z-Jan/Mar. ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.♣Sheep prices are now live weight prices * change from a week ago, provisional prices

SUGAR – London FOX			($ per tonne)	
Raw	Close	Previous	High/Low	
Mar	157.00	180.4		
White	Close	Previous	High/Low	
Mar	249.20	249.50	250.00	249.00
May	250.00	251.40	251.50	251.10
Aug	256.70	257.00	257.00	256.60
Oct	243.90	244.50	244.20	244.20

Turnover: Raw 0 (0) lots of 50 tonnes. White 3313 (373) Paris- White (FFr per tonne): Mar 1394.91 May 1422.29

CRUDE OIL – IPE			$/barrel	
	Close	Previous	High/Low	
Feb	18.29	18.27	18.34	18.24
Mar	18.36	18.34	18.39	18.32
Apr	18.40	18.41	18.42	18.40
Jun	18.42	18.41	18.46	18.40
IPE Index	18.26	18.40	18.26	

Turnover 8146 (22445)

GAS OIL – IPE			$/tonne	
	Close	Previous	High/Low	
Jan	174.00	175.00	175.50	173.50
Feb	175.00	176.25	176.25	174.50
Mar	174.25	174.50	174.75	173.50
Apr	170.50	171.25	171.50	170.50
May	169.00	169.50	169.00	
Jun	168.75	168.75	169.00	168.75
Jul	171.00	171.00	171.00	170.75
Aug	173.25	173.00	173.00	172.75
Sep	175.25	175.25	175.00	

Turnover N/A (8643) lots of 100 tonnes

Spices
Most markets were dull because of the Christmas recess and price levels were more or less unchanged, reports Man Producten. Nearby positions in the cassia and cinnamon market were light with demand light. Indonesian ka/ve cassia sticks were $2,240 a tonne for spot delivery, seychelles shipment supplies were $1,450 a tonne, unchanged to weaker, with ka/va at $2,000 a tonne. Seychelles spot nutmeg prices were unchanged, with shipment prices weak. Cochin new crop ginger for January shipment was weaker, harvest expected to be less than last year's.

COCOA – London FOX			£/tonne	
	Close	Previous	High/Low	
Mar	693	693	695	685
May	709	708	709	701
Jul	725	722	724	718
Sep	738	737	740	730
Dec	765	762	766	758
Mar	783	781	785	781

Turnover: 1131 (4431) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Dec.29 730.15 (748.83) 10 day average for Dec 28 732.79 (732.41)

COFFEE – London FOX			$/tonne	
	Close	Previous	High/Low	
Jan	1001	990	999	982
Mar	1023	1012	1022	1006
May	1004	992	1004	986
Jul	998	984	996	984

Turnover:1501 (4468) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Dec.30: Comp. daily 63.10 (64.62) 15 day average 64.75 (64.73)

POTATOES – London FOX			£/tonne
	Close	Previous	High/Low
Apr	63.7		
May	70.5	70.5	

Turnover 0 (24) lots of 20 tonnes.

SOYAMEAL – London FOX			£/tonne
	Close	Previous	High/Low
Feb	157.00	157.00	

Turnover 0 (0) lots of 20 tonnes.

FREIGHT – London FOX			$10/index point	
	Close	Previous	High/Low	
Jan	1306	1315	1310	1300
Feb	1290		1290	
Mar	1269		1270	1269
Apr	1260		1270	1260
BFI	1373	1375	1373	

Turnover 68 (3)

GRAINS – London FOX			£/tonne
Wheat	Close	Previous	High/Low
Jan	136.30	136.70	136.30
May	141.00	140.25	141.00
Barley	Close	Previous	High/Low
Jan	132.00	132.00	132.00
Mar	134.50	134.30	134.50

Turnover: Wheat 4 (129), Barley 6 (22).
Turnover lots of 100 Tonnes.

PIGS – London FOX		(Cash Settlement) p/kg	
	Close	Previous	High/Low
Jan	100.0		
Apr	104.0	103.0	

Turnover:0 (2)lots of 3,250 kg

LONDON METAL EXCHANGE		(Prices supplied by Amalgamated Metal Trading)			
	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 26,704 lots
Cash	1227-8	1239.5-40.5		1231-2		
3 months	1260-1	1262-3	1260.5/1256	1256.5-6	1259.5-60	N/A
Copper, Grade A (£ per tonne)					Total daily turnover 32,835 lots
Cash	1520.5-1.5	1500-2	1505.5/1504	1505.5-6		
3 months	1537.5-8.5	1526-7	1538/1532	1525-6	1539-40	N/A
Lead (£ per tonne)					Total daily turnover 2,020 lots
Cash	298-9	300.5-1	295.5	295.75-6		
3 months	306.5-9	311-1.25	308/306	306-6.25	308-9	N/A
Nickel ($ per tonne)					Total daily turnover 8,171 lots
Cash	5955-65	5835-45	5920/5910	5915-20		
3 months	6021-5	5900-10	6025/5910	5970-80	6020-30	N/A
Tin ($ per tonne)					Total daily turnover 2,951 lots
Cash	5780-90	5775-85		5775-80		
3 months	5840-50	5840-5	5850/5830	5835-40	5840-50	N/A
Zinc, Special High Grade ($ per tonne)					Total daily turnover 19,222 lots
Cash	1060-2	1058-60	1057.5	1057.5-8		
3 months	1079-80	1076.5-7	1082/1073	1074-5	1081-2	N/A

LME Closing £/$ rate: SPOT: 1.5136 3 months: 1.5013 6 months: 1.4925 9 months: 1.4846

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	332.90-333.20	
Opening	332.90-333.20	
Morning fix	332.90	220.172
Afternoon fix	N/A	
Day's high	332.90-333.20	
Day's low	332.90-333.20	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	1.21	6 months	1.84
2 months	1.31	12 months	2.33
3 months	1.42		

Silver fix	p/troy oz	US cts equiv
Spot	242.60	368.95
3 months	246.60	369.75
6 months	250.50	373.00
12 months	258.10	380.70

GOLD COINS	$ price	£ equivalent
Krugerrand	333.00-336.00	220.00-222.00
Maple leaf	342.85-345.10	-
New Sovereign	79.00-82.00	52.00-54.00

TRADED OPTIONS				
Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jan	Apr	Jan	Apr
1225	38	71	12	23
1250	23	56	23	32
1275	13	43	38	43
Copper (Grade A)	Calls		Puts	
2250	63	93	14	33
2300	33	64	34	53
2350	14	42	65	80
Coffee	Mar	May	Mar	May
950	84	85	12	31
1000	50	57	28	53
1050	15	38	93	84
Cocoa	Mar	May	Mar	May
650	50	72	7	13
675	33	56	15	21
700	20	41	27	32
Brent Crude	Feb	Mar	Feb	Mar
1800	46			27
1850	12	35		
1900	3			

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Jan	332.8	332.8	0	0
Feb	333.1	333.3	333.5	333.0
Mar	333.6	333.6	0	0
Apr	334.2	334.4	334.6	334.0
Jun	335.8	335.8	336.1	335.5
Aug	337.1	337.2	0	0
Oct	338.7	335.8	0	0
Dec	340.4	340.5	340.8	340.3
Feb	342.5	342.6	0	0

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Jan	352.0	0	0	0
Feb	351.5	0	0	0
Mar	351.5	0	0	0
Apr	351.5	350.2	352.0	350.2
Jul	350.2	0	0	0
Oct	350.2	0	0	0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Jan	367.2	366.7	367.5	367.0
Feb	368.1	367.6	0	0
Mar	369.0	368.7	370.0	368.0
May	371.7	371.4	372.5	371.8
Jul	374.3	374.0	375.0	373.5
Sep	377.1	376.8	0	0
Dec	381.5	381.2	382.5	382.0
Jan	382.7	382.4	0	0
Mar	386.8	386.3	387.5	387.5
May	390.3	390.0	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jan	102.80	101.00	103.05	102.35
Feb	103.20	102.45	103.25	103.00
Mar	103.60	102.85	104.00	103.20
Apr	103.80	103.15	0	0
May	103.95	103.40	104.30	103.90
Jun	104.10	103.60	0	0
Jul	104.30	103.80	104.00	104.20
Aug	104.36	103.95	0	0
Sep	104.45	104.05	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Close	Previous	High/Low	
Feb	19.50	19.59	19.65	19.48
Mar	19.61	19.71	19.75	19.59
Apr	19.69	19.79	19.82	19.67
May	19.74	19.84	19.87	19.74
Jun	19.76	19.86	19.89	19.76
Jul	19.77	19.87	19.89	19.78
Aug	19.75	19.88	19.90	19.80
Sep	19.80	19.90	19.85	19.85
Oct	19.81	19.91	0	0
Nov	19.81	19.91	0	0

HEATING OIL 42,000 US galls, cents/US galls				
	Close	Previous	High/Low	
Jan	59.40	58.90	59.80	59.00
Feb	57.21	57.72	57.40	56.90
Mar	55.67	57.17	57.00	56.60
Apr	55.00	56.25	56.05	55.00
May	54.86	55.10	54.90	54.75
Jun	54.43	54.62	54.55	54.35
Jul	54.60	54.77	54.90	54.50
Aug	55.10	55.27	0	0
Sep	56.25	56.42	56.50	56.35
Oct	57.15	57.32	0	0

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Mar	935	926	942	917
May	958	956	970	947
Jul	980	979	994	972
Sep	1005	1005	1005	997
Dec	1044	1036	0	0
Mar	1076	1066	1076	1075
May	1092	1086	0	0
Jul	1110	1110	0	0
Sep	1144	1136	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	77.55	75.80	77.50	75.90
May	81.70	80.25	81.75	80.00
Jul	83.35	81.75	83.40	81.65
Sep	85.20	83.65	85.10	83.75
Dec	86.10	85.25	86.10	85.75
Mar	87.05	86.25	0	0
May	87.75	86.95	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	8.41	8.39	8.41	8.37
May	8.51	8.50	8.51	8.47
Jul	8.57	8.50	8.56	8.53
Oct	8.59	8.60	8.62	8.57
Mar	8.70	8.71	0	0
May	8.80	8.81	0	0

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Mar	58.98	58.53	58.57	58.60
May	59.90	59.84	59.95	59.48
Jul	60.85	60.95	61.00	60.50
Oct	59.60	59.50	0	0
Dec	59.60	59.64	59.60	59.65
Mar	59.85	59.50	0	0
May	59.85	59.95	0	0

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jan	87.00	86.75	87.75	86.50
Mar	90.00	90.70	91.70	90.50
May	92.75	93.80	94.30	93.00
Jul	94.30	94.75	95.30	94.00
Sep	94.95	94.75	95.25	95.00
Nov	94.80	94.75	95.45	96.00
Jan	98.05	97.00	97.95	97.95
Mar	98.05	94.75	0	0
May	98.05	94.75	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)			
Dec.31	Dec.30	mnth ago	yr ago
1697.4	1703.1	1672.3	1591.3

DOW JONES (Base: Dec. 31 1974 = 100)				
	Dec.30	Dec.29	mnth ago	yr ago
Spot	121.22	121.24	109.79	108.69
Futures	121.91	121.85	120.14	120.17

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Jan	568/6	566/0	569/2	565/0
Mar	574/2	570/6	574/6	570/2
May	580/4	577/2	581/0	576/6
Jul	587/2	583/4	587/4	583/4
Aug	589/0	587/0	589/4	586/2
Sep	589/2	587/4	589/4	586/2
Nov	592/6	590/0	593/2	590/0
Jan	601/0	600/0	601/2	599/0

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Jan	20.47	20.32	20.49	20.29
Mar	20.69	20.66	20.71	20.50
May	20.85	20.79	20.89	20.70
Jul	21.09	20.97	21.10	20.88
Aug	21.12	20.98	21.12	20.93
Sep	21.12	21.01	21.12	20.95
Oct	21.12	21.01	21.12	20.95
Dec	21.10	21.10	21.12	21.00

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Jan	187.4	186.5	187.7	186.4
Mar	185.2	185.1	185.1	184.8
May	184.9	184.9	185.7	184.8
Jul	185.8	185.7	187.5	185.8
Aug	187.7	187.4	188.3	187.5
Sep	188.6	188.3	189.5	188.4
Oct	190.2	189.7	190.5	189.4
Dec	192.2	192.0	192.5	192.0

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Mar	218/4	218/2	217/0	218/0
May	223/6	223/4	224/2	223/2
Jul	229/0	229/2	230/0	229/0
Sep	234/0	233/4	234/6	233/6
Dec	239/4	239/2	240/0	239/0
Mar	246/2	246/0	246/6	246/0
May	250/6	250/4	251/0	250/4

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Mar	355/6	351/4	354/0	352/4
May	335/2	331/4	336/0	333/2
Jul	316/2	315/2	316/4	315/2
Sep	323/0	321/0	323/4	322/0
Dec	331/4	329/4	331/4	330/4
Mar	335/4	333/4	0	0

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Feb	77.125	76.175	77.175	76.225
Apr	76.675	76.025	76.700	76.025
Jun	73.000	72.600	73.000	72.425
Aug	70.670	70.550	70.900	70.325
Oct	71.150	70.825	71.250	70.725
Dec	71.850	71.700	71.900	71.650
Feb	77.125	76.175	77.175	76.225

LIVE HOGS 40,000 lb; cents/lbs				
	Close	Previous	High/Low	
Feb	43.625	43.600	43.725	43.300
Apr	42.400	42.275	42.450	42.225
Jun	47.100	46.850	47.200	46.800
Jul	46.725	46.475	46.750	46.400
Aug	45.350	45.325	45.350	45.050
Oct	41.600	41.500	41.600	41.200
Dec	42.600	42.850	42.825	42.575
Feb	43.100	42.650	43.100	42.900

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Feb	37.750	37.850	37.850	36.850
Mar	37.975	38.075	38.075	37.075
May	39.350	39.300	39.350	38.350
Jul	39.700	39.925	39.700	38.625
Aug	37.800	38.100	38.100	37.700

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

An uncertain new year ahead

THE 1992 period will probably go down as one of the most volatile years of currency trading since the Bretton Woods system of fixed exchange rates collapsed in the early 1970s, *writes James Blitz.*

In spite of the quiet trading of recent weeks, however, there is no reason to suppose that 1993 will bring a sustained period of calm.

For most of the last 12 months, dealers in foreign exchange markets have been obsessed with two burning questions: is the US set for a sustained economic recovery? And will the Bundesbank seriously ease German monetary policy?

The first question is finding answers. Every new day brings evidence that the US economy is set to grow this year. This week, the US consumer confidence index rose to 78.3 per cent in December from 65.6 per cent the previous month. The leading indicators jumped to 0.8 per cent in November from October's 0.5 per cent.

But the market is as divided over the Bundesbank's intentions as ever. The case for expecting an early easing in monetary policy – and a weakening of the D-Mark – is strong. According to the Ifo institute, Germany is set for a 0.5 per cent fall in GDP this year. In these circumstances, the Bundesbank has strong reasons to cut interest rates early in the 1993 first quarter.

"Failure to do so will intensify the extent of the economic slump in Germany, as well as breaking the current parity structure in the exchange rate mechanism," said Mr Neil MacKinnon, chief economist at Citibank in London.

The spectre of inflation and high monetary growth, however, still hangs over the German central bank. In the spring, few economists would have believed that a ¼ percentage-point cut in the Lombard rate was all that the Bundesbank would yield by New Year's Day. And even now, it can be argued that monetary easing is as far off as ever.

The market was excited by the Bundesbank president's pre-Christmas comment that long-term interest rates could fall to 6 per cent by the end of 1993. But one European central banker said this week that bond dealers would only trade lower long-term rates if they believed the central bank had definitely cracked the inflationary spiral – which may only happen if Germany's short-term rates remain high.

He added: "This Bundesbank president does not want to go down in history as the one who prematurely succumbed to pressure to relax the reins on monetary supply."

As in the case of 1992, the 1993 year may be all about guessing how – and when – the Bundesbank will turn.

£ IN NEW YORK

Dec.31	Close	Previous Close
£ Spot	1.5100-1.5110	1.5095 1.5110
1 month	0.50-0.49pm	0.48 0.46pm
3 months	1.35-1.32pm	1.33 1.32pm
12 months	3.80-3.70pm	3.66 3.60pm

Forward premiums and discounts apply to the US dollar

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Dec 31	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	143.386	138.648	-3.30	4.52	54
Portuguese Escudo	182.194	177.760	-2.43	3.58	37
Dutch Guilder	2.21958	2.19669	-1.03	2.12	38
Belgian Franc	40.6304	40.1777	-1.11	2.20	41
D-Mark	1.96992	1.95560	-0.73	1.00	30
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.5140	1.5093	1.5006	1.4906	1.4771
D-mark	2.4525	2.4483	2.4418	2.4339	2.4264
French Fr.	8.3650	8.3260	8.2630	8.1993	8.1179
Swiss Fr.	2.2175	2.2166	2.2116	2.2081	2.1955
Yen	189.00	188.48	187.46	186.13	183.62

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

MONEY MARKETS

New view on sterling

IN RECENT weeks, sterling dealers have been bullish about the prospect for another cut in UK base rates, but the market finished 1992 in an uncertain mood, *writes James Blitz.*

For the first half of the past week, dealers were convinced that another easing of monetary policy before the spring was certain.

Reports of large numbers of people rushing to the shops to get end-of-year bargains suggested that the pressure might have come off the government to ease policy in order to stimulate the economy. So, too, did signs of increased business confidence in the last days of the year.

The evidence, however, was ignored. The March short sterling contract peaked at 93.52 on Wednesday night. This suggested that three-month money in the spring will be as low as 6.48 per cent, a level compatible with 6 per cent base rates.

Thursday saw a sharp reversal of sentiment in the futures market. In part, this was due to a feeling that the March contract had been oversold.

One clearing bank dealer talked of how most of the buying on the floor of LIFFE over the Christmas period had been done by one broker. "We have started to think that he may be talking the futures up too much," he said.

Another factor was a newspaper interview given to *The Times* by the UK chancellor of the exchequer, in which he appeared to rule out the possibility of base rate reductions.

According to the text of the interview, the chancellor gave an emphatic "no" in response to a question about whether there could be any expectation of a change in interest rates if the Treasury's forecast of a 1 per cent recovery next year became reality.

The report of these remarks helped to push March short sterling down 10 basis points on New Year's Eve to a close of 93.42.

However, the reversal in futures may not have been justified. Treasury officials pointed out on the day of publication of the interview that output and growth are not being targeted as the sole indicator of economic performance, as was implied.

The Treasury says it will not judge the effect of its policies until they have worked through the economy. Other indicators, apart from growth, will also be watched.

UK clearing bank base lending rate 7 per cent from November 13, 1992

FINANCIAL FUTURES AND OPTIONS

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls January	Calls March	Calls June	Puts January	Puts March	Puts June
111	-	-	-	-	0.47	-
112	-	1.20	-	-	0.79	-
113	-	0.72	-	-	-	-
114	-	0.39	-	-	-	-
115	-	0.18	-	-	-	-
Open int	17,419	180,421	31,693	11,739	149,583	19,986

Estimated volume 10,981 † Total Open Interest 410,741

† All Yield & Open Interest figures are for the previous day.

BANK RETURN

BANKING DEPARTMENT	Wednesday December 30, 1992	Increase or decrease for week
	£	£
LIABILITIES		
Capital	14,553,000	
Public Deposits	108,457,945	+ 11,686,164
Bankers Deposits	1,441,331,520	- 111,635,328
Reserve and other Accounts	4,370,490,094	+ 411,179,390
	5,934,832,559	+ 311,230,226
ASSETS		
Government Securities	1,157,041,175	- 79,925,000
Advance and other Accounts	4,322,711,588	+ 387,935,539
Premises Equipment & other Secs	443,497,382	+ 367,925
Notes	11,325,934	+ 2,855,882
Coin	256,480	- 4,120
	5,934,832,559	+ 311,230,226
ISSUE DEPARTMENT		
LIABILITIES		
Notes in circulation	18,088,674,066	+ 547,144,118
Notes in Banking Department	11,325,934	+ 2,855,882
	18,100,000,000	+ 550,000,000
ASSETS		
Government Debt	11,015,100	
Other Government Securities	9,127,170,276	+ 1,330,425,168
Other Securities	8,961,814,624	- 780,425,168
	18,100,000,000	+ 550,000,000

BASE LENDING RATES

	%		%		%
Adam & Company	7	Cyprus Popular Bank	7	Mount Banking	7
Allied Trust Bank	7	Duncan Lawrie	7	NatWestminster	7
AIB Bank	7	Equatorial Bank plc	7	Northern Bank Ltd	7
●Henry Ansbacher	7	Exeter Bank Limited	8	Nykredit Mortgage Bnk	7.5
B & C Merchant Bank	13	Financial & Gen Bank	7	●Rea Brothers	7
Bank of Baroda	7	●Robert Fleming & Co	7	Roxburghe Bank Ltd	9
Banco Bilbao Vizcaya	7	Girobank	7	Royal Bk of Scotland	7
Bank of Cyprus	7	●Guinness Mahon	7	●Smith & Williamson Secs	7
Bank of Ireland	7	Habib Bank AG Zurich	7	Standard Chartered	7
Bank of India	7	●Hambros Bank	7	TSB	7
Bank of Scotland	7	Hampshire Trust Plc	13.5	Unibank plc	7
Barclays Bank	7	Heritable & Gen Inv Bk	7	●United Bk of Kuwait	7
Brit Bk of Mid East	7	●Hill Samuel	7	Unity Trust Bank Plc	7
●Brown Shipley	7	C. Hoare & Co	7	Western Trust	7
CL Bank Nederland	7	Hongkong & Shanghai	7	Whiteaway Laidlaw	7
Citibank NA	7	Julian Hodge Bank	7	Yorkshire Bank	7
City Merchants Bank	7	●Leopold Joseph & Sons	7		
Clydesdale Bank	7	Lloyds Bank	7		
Co-operative Bank	7	Meghraj Bank Ltd	7		
Coutts & Co	7	McDonnell Douglas Bk	7		
Credit Lyonnais	7	Midland Bank	7		

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Wednesday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Wednesday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Wednesday's Official List the latest recorded business in the previous days is given with the relevant date.

Rule 535(2) stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ♦ Bargains done the previous day.

British Funds, etc
No. of bargains included 1398

Treasury 13¾% Stk 2000/03 - £130¾
Exchequer 10½% Stk 2005 - £115¾

UK Public Boards
No. of bargains included 4

Agricultural Mortgage Corp PLC7¾% Deb Stk 91/93 - £98¾
10¼% Deb Stk 92/95 - £100¾

Foreign Stocks, Bonds, etc-(coupons payable in London)
No. of bargains included 73

Asda Finance Ld 10⅞% Cnv Cap Bds2005(Br £5000&100000) - £108¾
Australia(Commonwealth of) 10¾% Bds 1997 - £108
Barclays Bank PLC 10⅞% Senior Subord Bds 1997 - £107¾ ¾
British Gas Intl Finance BV 11% Gtd Nts 1993 (BrEC1000&10000) - EC190.18 100¾
British Gas PLC7⅞% Nts 1997 (Br £ Var) - £99¾
British Telecommunications PLC Zero Cpn Bds 2000 - £59♦
Burmah Castrol Capital(Jersey) Ld 9¾% Cnv Cap Bds 2006(Reg) - £137¾
Daily Mail & General Trust PLC8¾% Exch Bds 2005 (Br£1000&5000) - £132¾
Dow Chemical Co Zero Cpn Nts 30/6/97 - £65¼♦
E.I. Du Pont de Nemours & Co7¾% Nts 1999(Br $Var) - $103¾ 103¾
EII Enterprise Finance PLC 8¾% Gtd Exch Bds 2006 (Reg £5000) - £100
Finland(Republic of) 10¾% Bds 2008 - £103¾
Forte PLC 8¾% Bds 1997 (Br £5000) - £98
General Motors Accept Corp Canada 9⅞% Nts 5/6/93 (BrEC1000&10000) - £99¾ (29De92)
Guaranteed Export Finance Corp PLC 8¾% Gtd Bds 2008 (Br £ Var) - £102
Halifax Building Society 10⅝% Nts 1997 - £107¾
Hanson PLC 9½% Cnv Subord 2006 (Br £Var) - £110 (29De92)
Hickson Capital Ld 7% Cnv Cap Bds 2004 (Br£1000&10000) - £121¾
Imperial Chemical Industries PLC 10% Bds 2003 - £105¾ 6¾
International Bank for Rec & Dev 9¾% Bds 2007 (Br£5000) - £102¾ (29De92)
11¾% Nts 1995 - £108
Italy(Republic of) 10⅞% Bds 2014 (Br£10000&50000) - £109 .2125
Kyushu Electric Power Co Inc 6¾% Nts 1997 (Br £ Var) - £180
Ladbroke Group Finance(Jersey) Ld 6% Cnv Cap Bds 2005 (Br£5000&50000) - £93¾ (29De92)
Land Securities PLC6¾% Cnv Bds 2002 - £99¾
9¾% Cnv Bds 2004 (Br£5000&50000) - £101¾ 2¾
Lloyds Bank PLC 10⅝% Subord Bds 1998(Br£10000) - £105¾
National Grid Co PLC 7¾% Bds 1998 (Br £ Var) - £99¾ ¾ (29De92)
National Power PLC 10⅝% Bds 2001 (Br £10000&100000) - £108¾ ¾
National Westminster Bank PLC 11¾% Undated Subord Nts (Reg) - £103¾ ¾
11¾% Undated Subord Nts (Br £1000) - £103¾
Nationwide Building Society Fltg Rate Nts 1996 (Br£5000&50000) - £97.36 96¾
Northumbrian Water Group PLC 8¾% Bds 2002 (Br £ Var) - £101¾
Norway(Kingdom of) 10⅝% Nts 1994 (Br£1000,10000&100000) - £103¾ (29De92)
PCO Finance Ld 8% Cnv Bds 2005 (Br£5000) - £70
Prudential Finance BV 9⅝% Gtd Bds 2007 (Br£5000&100000) - £99¾
Royal Bank of Scotland PLC 10⅞% Subord Bds 1998 (Br£5000&25000) - £107¾
Sainsbury(J) PLC 12⅝% Nts 1998 - £109¾ (29De92)
Sainsbury (J)(Channel Islands) Ld 8¾% Cnv Cap Bds 2005(Br - £177
Smith & Nephew PLC 4% Cnv Bds 2002 - £130♦
Sweden(Kingdom of) 8⅞% Bds 1996 - £102 (29De92)
8¾% Bds 1996 (Br£5000) - £102¾ (29De92)
9¾% Bds 1997 - £102¾ (29De92)
Tarmac Finance (Jersey) Ld 9½% Cnv Cap Bds 2006 (Reg £1000) - £88¾
Tesco PLC 10¾% Bds 2002 (Br £Var) - £108¾
Tesco Capital Ld 9% Cnv Cap Bds 2005(Reg £1) - £126¾ 7 7 ¾ ¾ ¾
9% Cnv Cap Bds 2005(Br£5000&10000)
Thames Water Utilities Finance PLC 10⅞% Gtd Bds 2001 - £108¾♦
Tokyo Electric Power Co Inc 8⅝% Nts 1996 (BrEC1000&10000) - EC102¾ 103¾
United Kingdom 7¾% Bds 2002(Br$Var) - $101¾ (29De92)
Woolwich Building Society 11⅜% Subord Nts 2001 - £109¾ (29De92)
Fltg Rate Ln Nts 1995(Br£10000&100000) - £99.7 90

Sterling Issues by Overseas Borrowers
No. of bargains included 3

Bank of Greece 10⅞% Ln Stk 2010(Reg) - £101 (29De92)
European Investment Bank 9% Ln Stk 2001 (Reg) - £103.8125 ¾
11% Ln Stk 2002(Reg) - £118
Petroleos Mexicanos 14½% Ln Stk 2006 - £117 (29De92)
Portugal(Rep of) 9% Ln Stk 2016(Reg) - £95 (29De92)

Listed Companies(excluding Investment Trusts)
No. of bargains included 8771

Aberdeen Trust PLC Ord 10p - 27 6 8
Alexander & Alexander Services Inc Shs of Class C Com Stk $1 - £17¾ (29De92)
Allied-Lyons PLC ADR (1:1) - $9.7
11¾% Deb Stk 2009 - £120¾ (29De92)
7¾% Uns Ln Stk - £74¾
Alvis PLC 5.5% Cnv Cum Non-Vtg Red Prf £1 - 43
[illegible] Corp Shs of Com Stk $1 - $9¾♦
Andrews Sykes Group PLC Cnv Prf 50p - 67 8¾ (29De92)
Associated British Foods PLC 5¾% Uns Ln Stk 87/2002 50p - 56
7¾% Uns Ln Stk 87/2002 50p - 44
Attwoods PLC ADR (5:1) - $9¾ (29De92)
Attwoods (Finance) NV 8¾p Gtd Red Cnv Prf 5p - 94 (29De92)
Austin Reed Group PLC Ord 25p - 190
Automated Security(Hldgs) PLC 6% Cnv Cum Red Prf £1 - 63 ¾
B.A.T Industries PLC ADR (1:1) - $14¾ 8
BET PLC ADR (4:1) - $5¾♦ 7498♦
BM Group PLC 4.8p (Net) Cnv Cum Red Prf 20p - 45 7 7 7 8
BOC Group PLC ADR (1:1) - $11.57
BTP PLC7.5p(Net) Cnv Cum Red Prf 10p - 143
BTR PLC Warrants 1985/95 to Sub for Ord - 126 8 6 ¾ 30
Wts 1997 to Sub for Ord - 130 1 1 ½ 2 2 ½ 3 5 3
Barclays PLC ADR (4:1) - $23¾♦ ¾♦
Barclays Bank PLC 8¾% Uns Cap Ln Stk 86/93 - £96
Barings PLC 8% Cum 2nd Prf £1 - 95
9¾% Non-Cum Prf £1 - 114¾♦
Bass PLC ADR (2:1) - $18.4925 (29De92)
Bass Investments PLC 7¾% Uns Ln Stk 92/97 - £97¾
Bataeia Fund Ld Warrants to sub for Ord - 90¾♦
Bellway PLC 9.5% Cum Red Prf 2014 £1 - 107 7 8 8
Bergesen d-y AS"B" Non Vtg Shs NK2.5 - NK81¾ 72 .28 .88 .81 3 3 .18 ¾ .28 4 4 8
Blacks Mining PLC 10p - 19
Blockbuster Entertainment Corp Shs Com Stk $0.10 - $15¾
Blue Circle Industries PLC 6¾% Uns Ln Stk(1975 or aft) - £61
Boddington Group PLC 5½% Cnv Uns Ln Stk 2000/05 - £108♦
Booker PLC ADR (4:1) - $22¾
Botswana RST Ld Pul2 - $0.18 p 6 (29De92)
Bradford & Bingley Building Society 11¾% Perm Int Bearing Shs £10000 - £107¾ 8
13% Perm Int Bearing Shs £10000 - £119¾ 20 ¾
Brent Walker Group PLC Wts to Sub for Ord - 8
8.5% 3rd Non-Cum Cnv Red 2007/10 £1 - 1
Bristol Water PLC 8¾% Cum Irrd Prf £1 - 118¾
Bristol Water Hldgs PLC Ord £1 - 790 90
Bristol & West Building Society 13¾% Perm Int Bearing Shs £1000 - £107¾ ¾ 6¾
Britannia Building Society 13% Perm Int Bearing Shs £1000 - £113¾ 4¾
New 13% Perm Int Bearing Shs £1000 - £113¾ ¾ 4
British Airways PLC ADR (10:1) - $46¾
British Petroleum Co PLC 9% Cum 1st Prf £1 - 90♦
British Petroleum Co PLC 8% Cum 2nd Prf £1 - 82
British Steel PLC ADR (10:1) - $8.7497
British Sugar PLC 10¾% Red Deb Stk 2013 - £112¾
British Telecommunications PLC ADR (10:1) (Instalment) - $42.6326 8‡
British Thornton Hldgs PLC Ord 1p - 11¾ ¾‡
Britton Group PLC Ord 1p - 8¾ ¾ ¾
Brown & Jackson PLC Ord 1p - 11¾ 2¾ ¾‡
Bulmer(H.P.)Hldgs PLC 8¾% 2nd Cum Prf £1 - 109
Bunzl PLC 7% Cnv Uns Ln Stk 95/97 - £92
Burmah Castrol PLC 6¾% Uns Ln Stk 91/96 - £89¾ 100
Burn Stewart Distillers PLC Ord 10p - 140
Burton Group PLC 8% Cnv Uns Ln Stk 1996/2001 - £89 91
CRT Group PLC Ord 10p - 89 90
Capital & Counties PLC 9¾% Uns Ln Stk 91/96 - £94
Capital Industries PLC Ord 1p - 110
Carlton Communications PLC ADR (2:1) - $22¾ .8
7¾% Cnv Subord Bds 2007(Reg £5000) - £127¾
Caterpillar Inc Shs of Com Stk $1 - $54¾
Charter Consolidated PLC 2p(Br) (Cpn 57) - 613 (29De92)
Cheltenham & Gloucester Build Soc 11¾% Perm Int Bearing Shs £50000 - £105
Clayhithe PLC Ord 10p - 32
9.5% Subord Cnv Uns Ln Stk 2000/01 - £89♦
Cleveland Place Holdings PLC 9% Red Deb Stk 88/94 - £97
3¾% Irrd Deb Stk - £36
4¾% Irrd Deb Stk - £40
Co-Operative Bank PLC 9.25% Non-Cum Irrd Prf £1 - 105¾
Coats Patons PLC 7¾% Uns Ln Stk 90/95 - £97
Colorvision PLC Ord 5p - 80♦
Commercial Union PLC 8¾% Cum Irrd Prf £1 - 104¾ 8 8 ¾
8¾% Cum Irrd Prf £1 - 107¾ 8¾
Cooper (Frederick) PLC 6.5p (Net) Cnv Red Cum Prf 10p - 72
Coronation Syndicate Ld R0.25 - 35
Country Casuals Hldgs PLC Ord 5p - 165 6
Courtaulds PLC ADR (1:1) - $8¾♦
7¾% Deb Stk 89/94 - £96¾
5¾% Uns Ln Stk 94/96 - £91♦
6¾% Uns Ln Stk 94/96 - £93¾
7¾% Uns Ln Stk 94/96 - £98¾
7¾% Uns Ln Stk 2000/05 - £91
Coventry Building Society 12⅝% Undated Mandatory Cnv SubNts Reg - £105¾ 6¾
Critchley Group PLC Ord 10p - 241 1
Daily Mail & General Trust PLC Ord 50p - £78 (29De92)
Dairy Farm International Hldgs Ld Ord $0.05(Hong Kong Register) - $H11.33733♦
Delta PLC 3.15% Cum 2nd Prf £1 - 45 (29De92)
Dencora PLC 5.25% Cum Cnv Red Prf £1 - 56 (29De92)
Dunhill Group PLC Ord 1p - 3¾ ¾ 4 ¾
Ellis (L.) PLC 7% Cnv Cum Red Prf £1 (Br - Erdlenang) - 8¾ ¾ (29De92)
7¾% Deb Stk 90/95 - £91♦
Ericsson(L.M.)(Telefonaktiebolaget) Ser B(Reg)(SK10) - SK128¾ SK134 ¾ 5 .32 .37 ¾ 8 ¾ .57 7.0405 ¾
Essex Water PLC 10% Deb Stk 92/94 - £98¾ (29De92)
Euro Disney S.C.A. Shs FR10 (Depositary Receipts) - $11¾ p 780 2 5 8 7 90 90 5 5‡ 8 800
Shs FR10 (Br) - $11¾ FR64.79 5.21 .23 ¾ .38 .55 8 ¾
European Motor Hldgs PLC Ord 40p - 105 6
Eurotunnel PLC/Eurotunnel SA Units (Sicovam Inscribed) - FR29.29
1991Wts(EPLC/ESA Wts) - FR19.39♦ 19.90♦
Everest Bardon PLC 7.25p (Net) Cnv Red Prf 20p - 62
11.25p Cum Red Prf 2005 10p - 92
Excalibur Group PLC 11.5% Cum Prf £1 - 95
Fisons PLC ADR (4:1) - $14
Flagstone Holdings PLC Ord 1p - 0¾ ¾
Folkes Group PLC Ord 5p - 41
Forte PLC 10.5% Mtg Deb Stk 91/96 - £101¾ 6
Friendly Hotels PLC 4¾% Cnv Cum Red Prf £1 - 68 72
7% Cnv Cum Red Prf £1 - 77 (29De92)
GKN (United Kingdom) PLC 10¾% Gtd Deb Stk 90/95 - £100¾
10¾% Gtd Deb Stk 92/97 - £104♦
G.T.Asia(Sterling)Fund Ld Ptg Red Prf 1p - £15.53 (29De92)
G.T. Chile Growth Fund Ld Ord $0.01 - £18¾
General Accident PLC 8¾% Cum Irrd Prf £1 - 109¾ ¾ 9 9
General Acc Fire&Life Assc Corp PLC 7¾% Uns Ln Stk 92/97 - £97¾
General Electric Co PLC ADR (1:1) - $4¾ (29De92)
Genesis Chile Fund Ld Wts to Sub for Ptg Shs $0.01 - 8¾ (29De92)
Glynwed International PLC 10¾% Uns Ln Stk 94/99 - £102¾
Goodwin PLC Ord 10p - 35 (29De92)
Grampian Hldgs PLC 7% Cum Prf £1 - 56 (29De92)
Great Universal Stores PLC 8¾% Red Uns Ln Stk - £92¾♦
Greencore PLC Ord Ir£1.00 - 282
Greenwich Resources PLC Ord 5p - 8
Guinness PLC ADR (5:1) - $39.3
HSBC Hldgs PLC Ord 75p - 492¾ 1 1 ¾ ¾ 2 2 ¾ ¾ 3 3 ¾ .746 4 4 .247 .47 ¾ .747 5 8 80
Ord $H10 - 476 5 8 7¾ .74 8 8 .24 8 9 80
Ord $H10 (Hong Kong Reg) - £4.83 4.7 $H55.23548 .27775 4 .55635 .5
11.69% Subord Bds 2002 (Reg) - £109¾ ¾
Halifax Building Society 12% Perm Int Bearing Shs £1 (Reg £50000) - £114¾
Hall Engineering(Hldgs) PLC 6.25% Cum Prf £1 - 64
Hammerson Prop Inv&Dev Corp PLC Ord 25p - 292 5 8‡ 8‡
Hanson Industries PLC Ord 10p - 8¾ 4
Hartlepools Water Co Ord Stk - £1150♦
Hepworth Capital Finance Ld 11.25% Cnv Cap Bds 2005 (Reg) - 51¾
Hill PLC 7¾% Uns Ln Stk 88/93 - £98¾
IS Himalayan Fund NV Ord FL0.01 - 38¾ 9¾
Iceland Frozen Foods Hldgs PLC Cnv Cum Red Prf 20p - 170 2 3 4
Industrial Control Services Grp PLC Ord 10p - 146 7 6 50 2 2
Irish Life PLC Ord Ir£0.10 - Ir£1.54 1.55
JF Pacific Warrant Co SA Wts to Sub for Ord(Reg) - 18
JIB Group PLC Ord 10p - 155 7 8
Jardine Matheson Hldgs Ld Ord $0.25 (Hong Kong Registered) - £3.53 3.66
Jardine Strategic Hldgs Ld Ord $0.05 (Hong Kong Register) - $H18.2107
Jayes Group PLC Ord 5p - 472
Johnson & Firth Brown PLC 11% Uns Ln Stk 93/98 - £98¾ 100 (29De92)
Johnson Matthey PLC 8% Cum Prf £1 - 80
Keppel Corporation Ld Ord S$1 - $S8.3775
Kleinwort Endowment Policy Tst PLC Ord 10p - 107
Kvaerner A.S. Free A Shs NK12.50 - NK131.54 132.495
B Shs NK12.50 - NK130.547 .94
Kymmene Corporation Shs FM20 (Unrestricted) - FM82.12 .31 3
Ladbroke Group PLC ADR (1:1) - $2¾ (29De92)
Land Securities PLC6¾% Uns Ln Stk 92/97 - £96¾ 9¾
Latin American Extra Yield Fund Units - $9.9775 9.15
Leeds & Holbeck Building Society 13¾% Perm Int Bearing Shs £1000 - £113¾
Leeds Permanent Building Society 13¾% Perm Int Bearing £50000 - £123½ (29De92)
LIT Holdings PLC 9.47% Cum Red Prf 5p - 10
London Securities PLC Ord 1p - 2¾ (29De92)
Lonrho PLC ADR (1:1) - $1.15 (29De92)
Lookers PLC 8% Cnv Cum Red Prf £1 - 89♦
Low(Wm) & Co PLC 6.75% Cum Cnv Red Prf £1 - 128¾ 0
Lucas Industries PLC 10¾% Uns Ln Stk 92/97 - £100¾
MEPC PLC 8% Uns Ln Stk 2000/05 - £88¾ ½
10½% Uns Ln Stk 2032 - £94
McCarthy & Stone PLC 8.75% Cum Red Prf 2003 £1 - 21
McKay Securities PLC Cap 20p - 100 (29De92)
Manchester United PLC Ord 10p - 320 8 7 7
Mandarin Oriental International Ld Ord $0.05 (Hong Kong Reg) - $H7.08579♦
Mansfield Brewery PLC Ord £1 - 652 7
Medeva PLC ADR (4:1) - $13½
Mercury International Inv Trust Ld Ptg Red Prf 1p (Reserve Fund) - £90.0766
Mersey Docks & Harbour Co 6¾% Red Deb Stk 94/97 - £88
3¾% Irrd Deb Stk - £35
Midland Bank PLC 10¾% Subord Uns Ln Stk 93/98 - £102¾ (29De92)
NMC Group PLC Warrants to sub for Shs - 81
7.75p (Net) Cum Red Cnv Prf 10p - 64 8
National Power PLC ADR (10:1) - £28.3 (29De92)
National Westminster Bank PLC 7% Cum Prf £1 - 67¾ (29De92)
9% Subord Uns Ln Stk 1993 - £98¾ 100
Newcastle Building Society 12¾% Perm Interest Bearing Shs £1000 - £111¾
Norsk Data AS Class "B" (Non Vtg) NK2 - NK1.3 .42
North of England Building Society 12¾% Perm Int Bearing (£1000) - £108¾ ¾ 9
Novo Group PLC Ord 5p - 38
Ocean Wilsons Hldgs Ld Ord 20p - 40
Old Court International Reserves Ld Ptg Red Prf $0.01(Sterling Shs) - £37.475♦
Ossory Estates PLC Ord 25p - 4¾ ¾ 8
Owen & Robinson PLC 8¾% (Net) Cnv Cum Red Prf £1 - 25
Pacific Gas & Electric Co Shs of Com Stk $5 - $33.3♦
Park Food Group PLC Ord 2p - 190 1 2 & 8‡
Paterson Zochonis PLC 10% Cum Prf £1 - 121¾
Peel Hldgs PLC 5.25% (Net) Cnv Cum Non-Vtg Prf £1 - 63
Peninsular & Oriental Steam Nav Co 3½% Deb Stk(Perp) - £33¾
Perkins Foods PLC 8p(Net) Cum Cnv Red Prf 10p - 35¾
Petrofina S.A. Ord Shs NPV (Br in Denom 1,5 & 10) - BF7538
Pittard Garnar PLC 8¾% Cum Prf £1 - 93 ¾
Plantsbrook Group PLC 6.75% Cnv Prf 61/2001 10p - 80
Platignum PLC Ord 10p - 40 1 3
Pokphand (C.P.) Co Ld Shs $0.05 (Hong Kong Registered) - $H3.525 .5292 .55
PowerGen PLC ADR (10:1) - £26¾ (29De92)
Prudential Currency Fund Ld Ptg "C" Red Prf 1p - 307.7
Public Service Enterprise Group Inc Shs of Com Stk of NPV - £20
Quebec Central Railway Co 1st Mtg Deb Stk(Gtd by C.P.) - £40
RPH Ld 4½% Uns Ln Stk 2004/09 - £20
9% Uns Ln Stk 99/2004 - £97
Racal Electronics PLC ADR (2:1) - $4.76 ¾ (29De92)
Rank Organisation PLC ADR (1:1) - $10.27 (29De92)
Ranks Hovis McDougall PLC 6¾% Uns Ln Stk 61/95 - £89
Ransomes PLC 8.25p (Net) Cum Cnv Prf 12.5p - 46¾ 8 ¾‡
Rentokil Group PLC Ord 2p - 207 ¾ 8 .9 9 ½ 10 10 10‡ 1 2
Roselyn PLC Ord 25p - 126 8 ¾ 7
Ross Group PLC Ord 5p - 28 ¾ ½ ¾ 8 9‡ ¾‡ ½ ½
Rothmans International PLC B Ord 6.25p - 650 1 2 5 8 7 7 8 ¾ 9
Rugby Group PLC 6% Uns Ln Stk 93/98 - £86
S & U PLC 6% Cum Prf £1 - 56 (29De92)
Saatchi & Saatchi Co PLC ADR (3:1) - $5¾
Sanderson Murray&Elder(Hldgs) PLC Ord 10p - 68
Scholl PLC 8¾% Cum Red Prf 2001/05 £1 - 107
Scottish & Newcastle PLC 4.8% Cum Prf £1 - 68
7.8% 1st Mtg Deb Stk 89/94 - £99
7% Cnv Cum Prf £1 - 211
Sears PLC 4.9% (Fmly 7%) "A" Cum Prf £1 - 66
Shield Group PLC Ord 5p - 5 (29De92)
Siam Smaller Companies Fund Ld Ord $0.01 - £9¾♦
Skipton Building Society 12¾% Perm Int Bearing Shs £1000 - £106¾ ¾ 7¾
Smith & Nephew PLC Ord 10p - $2.48 p 163 3 ¾ .836 4 4 ¾ ¾ 8
Smith New Court PLC 12% Subord Uns Ln Stk 2001 - £101
Smith (W.H.) Group PLC "B" Ord 10p - 95 ¾
5¾% Red Uns Ln Stk - £50♦
SmithKline Beecham PLC ADR (5:1) - $36.998766
SmithKline Beecham PLC/SmithKline ADR (5:1) - $31.765 .78 .89 .975 2.015 ¾ .22 ¾
Stag Furniture Hldgs PLC 11% Cum Prf £1 - 107 (29De92)
Standard Chartered PLC 12¾% Subord Uns Ln Stk 2002/07 - £119¾♦
T & N PLC 10.1% Mtg Deb Stk 90/95 - £101
TI Group PLC Ord 25p - 310 10 ¾ 1 2 ¾ .34 3 3 4 4 5 8 5‡ 8‡
TSB Group PLC 10¾% Subord Ln Stk 2008 - £108¾
TSB Hill Samuel Bank Holding Co PLC 8% Uns Ln Stk 89/94 - £99 (29De92)
TT Group PLC 10.875% Cnv Cum Red Prf Shs £1 1997 - £1.7 (29De92)
Tate & Lyle PLC ADR (4:1) - $24.03
Taunton Cider PLC Ord 10p - 190 1 5
Taylor Nelson AGB PLC Ord 5p - 18¾
Telegraph PLC Ord 10p - 345 5 8 8
Tesco PLC 4% Uns Deep Disc Ln Stk 2006 - £58¾♦
Thailand International Fund Ld Ptg Shs $0.01 (IDR's to Br) - $16♦
3I PLC 7¾% "A" Deb Stk 91/94 - £98¾
9% "A" Deb Stk 91/94 - £98¾
Tomkins PLC Non-Int Bearing Cnv ULS 5p (Fully Pd)(Reg) - 178♦ 81♦
Towles PLC "A" Non.V.Ord 10p - 90
Trafalgar House PLC 7% Uns Deb Stk £1 - 63 (29De92)
9¾% Uns Ln Stk 2000/05 - £89
Transatlantic Holdings PLC 8 6% Cnv Prf £1 - 82
Transfer Technology Group PLC Ord 50p - 355 5 60‡ 3
Tronoh Mines Malaysia Berhad $M1 - 235 (29De92)
Unigate PLC 6½% Uns Ln Stk 91/96 - £92 5¾
Unilever PLC ADR (4:1) - £67¾
8% Uns Ln Stk 91/2006 - £95
Union International Co PLC 6% Cum Prf Stk £1 - 31♦
Unisys Corp Com Stk $0.01 - $10¾♦
United Biscuits(Hldgs) PLC 8% Deb Stk 93/98 - £99
Upton & Southern Holdings PLC Ord 25p - 6¾ (29De92)
Vtech Holdings Ld Ord $0.05 (London Reg) - $0.78
Value & Income Trust PLC Warrants 89/94 to sub for Ord - 13 (29De92)
Vaux Group PLC 9.875% Deb Stk 2018 - £102¾ 3
Vodafone Group PLC ADR(10:1) - $83¾ 4 ¾
Waste Management International PLC Ord 10p - 700 ¾
Watmoughs(Hldgs) PLC 8¾% Cum Red Prf 2006 £1 - 100 1¾
Waverley Mining Finance PLC Warrants to sub for Ord - 1¾
Wellcome PLC ADR (1:1) - $14.45
Westland Group PLC Warrants to sub for Ord - 40 (29De92)
Whitbread PLC B Ord 25p - £11.3 (29De92)
7¾% Uns Ln Stk 95/99 - £96
7¾% Uns Ln Stk 96/2000 - £88¾ (29De92)
Wiggins Group PLC Ord 10p - 8
Willis Corroon Group PLC ADR (5:1) - £14.52451
Yorkshire-Tyne Tees TV Hldgs PLC Wts to sub for Ord - 8¾ (29De92)
Zambia Consolidated Copper Mines Ld "B" Ord K10 - 140

Investment Trusts
No. of bargains included 1307

Bankers Investment Trust PLC4% Perp Deb Stk - £38¾
10¾% Deb Stk 2018 - £109¾
British Assets Trust PLC Equities Index ULS 2005 10p - 136
Broadgate Investment Trust PLC Wts to Sub for Ord - 42¾
East German Investment Tst PLC Ord 25p - 83
Edinburgh Investment Trust PLC3.65% Cum Pfd Stk - £47
English & Scottish Investors PLC "B" 25p - 83
Fidelity European Values PLC Equity Linked Uns Ln Stk 2001 - 115 (29De92)
Finsbury Smaller Co's Trust PLC Zero Div Prf 25p - 167 (29De92)
Fleming Claverhouse Inv Trust PLC11% Deb Stk 2008 - £113
Fleming Japanese Inv Trust PLC Wts to Sub for Ord - 28
Foreign & Colonial PEP Inv Tst PLC Ord 25p - 101
Gartmore Value Investments PLC Zero Dividend Prf 10p - 85¾ ½ 6¾
Henderson Strata Investments PLC Warrants to sub for Ord - 77
Joe Hldgs PLC Cap 10p - 35
Inc 20p - 90 ¾ 3¾
Lazard Select Investment Trust Ld Ptg Red Prf 0.1p U.K. Liquid Assets Fund - £10
Lloyds Smaller Co's Inv Tst PLC Dividend Shs 1p - 30 1 (29De92)
Capital Shs 1p - 56 (29De92)
London & St Lawrence Investment PLC Ord 5p - 128
Merchants Trust PLC4% Perp Deb Stk - £38
Multitrust PLC Ord 25p - 37 (29De92)
Northern Indust Improv Trust PLC Ord £1 - 378 (29De92)
Paribas French Investment Trust PLC Sers "A" Warrants to sub for Ord - 14
Shires High-Yielding Smlr Co's Tst PLC Ord 50p - 105 (29De92)
TR City of London Trust PLC Pfd Ord Stk(20% Non-Cum)£1 - 193
Throgmorton1000Smallest Co'sTst PLC Wts to Sub for Ord - 14 (29De92)
Updown Investment Co PLC Ord 25p - 450 (29De92)

Miscellaneous Warrants
No. of bargains included 1

Barclays De Zoete Wedd Wts Ld Put Wts (Srs N) Rltg FTSE 100 30/3/93 - £0.05

USM Appendix
No. of bargains included 546

BLP Group PLC 8p (Net) Cnv Cum Red Prf 10p - 37
CMW Group PLC Ord 5p - 23 (29De92)
Chemex International PLC Ord 1p - 5¾ ¾ 4 ¾
Cooper Clarke Group PLC Ord 50p - 30
FBD Holdings PLC Ord Ir£0.50 - I£1.22
Flextech PLC Ord 10p - 77 & ¾ 9 ¾‡ 81 2
Globe Mew PLC Ord 25p - 150 (29De92)
Greenacre Group PLC Cnv Red Prf Shs 70p - £0.8
Grosvenor Inns PLC Ord 10p - 75
Guardian Group PLC Ord 5p - 9 (29De92)
Hughes (T.J.) PLC Ord 10p - 89
Mid-States PLC Ord 10p - 27
Midland & Scottish Resources PLC Ord 10p - 17 6
Porth Group PLC Ord 20p - 5
Savage Group PLC 6.5% (Net) Cum Red Cnv Prf £1 - 63
Tepnel Diagnostics PLC Ord 1p - 190 1 6 (29De92)
Total Systems PLC Ord 5p - 75
Verity Group PLC Ord 5p - 10¾ (29De92)

Rule 535(2)
No. of bargains included 28

Ann Street Breweries Co Ld Cnv Red 2nd Prf £1 - £7¾
Barclays Investment Fund(C.I.) Sterling Bd Fd - £0.442 (29De92)
Bell & Co PLC3¾% Cum Prf £1 - £0.395
Channel Islands Comm (TV) Ld Ord 5p - £0.32
INVESCO MIM International Ld Japan Income & Growth - £1.413
Jennings Bros Ld Ord 25p - £1.65 1.66 1.7 (29De92)
Kleinwort Benson(Int) Fund Man Japanese Fund - $0.6129♦
KB Gilt Fund - £14.66
Le Riche's Stores Ld Ord £1 - £2.15 2.2 (29De92)
North West Exploration PLC Ord 20p - 0¾
Pan Andean Resources PLC Ord 1p - £0.0725 (29De92)
Rangers Football Club PLC Ord 10p - £0.95 (29De92)
Scotia Holdings PLC Ord 10p - £6.1 (29De92)
Select Industries PLC Ord 2½p - £0.03 0.0375 0.04
New Ord 7½p(2½p Regd) - £0¾ (22De92) £ 0.00878 0.01
U.K.F. Ld Ord £1 - £0.4
Weetabix Ld "A" Non.V Ord 25p - £11.6

RULE 535 (4) (a)

Bargains marked in securities where principle market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.

Keystone International $24.25♦ (24/12)
Oil Search 29 (29/12)
Samantha Hldgs Berhad A$1.14 (24/12)
Sappi Ltd R32.9
Storer Communications SKr285.43

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FT-SE ACTUARIES INDICES

The FT-SE 100, FT-SE Mid 250 and FT-SE Actuaries 350 indices and the FT-SE Actuaries Industry Baskets are calculated by The International Stock Exchange of the United Kingdom and Republic of Ireland Limited.

The FT-Actuaries All-Share Index is calculated by The Financial Times Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries.

The FT-SE 100, FT-SE Mid 250 and FT-SE Actuaries 350 indices, the FT-SE Actuaries Industry Baskets and the FT-Actuaries All-Share Index are members of the FT-SE Actuaries Share Indices series which are calculated in accordance with a standard set of ground rules established by The Financial Times Limited and London Stock Exchange in conjunction with the Institute of Actuaries and the Faculty of Actuaries.

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LONDON STOCK EXCHANGE

Renewed confidence as the year ends

By Terry Byland, UK Stock Market Editor

THE LONDON stock market moved confidently to the close of trading for 1992, as optimistic messages from British industry lifted the FT-SE Index on New Year's Eve to within a couple of points of the year's high. Share volume for the half-day session was modest but business picked up in the final hour of trading when equity prices moved ahead.

The final reading showed the Footsie at 2,846.5 for a gain of 14 points on the overnight figure. The final Seaq total of 228.9m shares for the half-session compared favourably with normal trading experience. On Wednesday, retail equity business was worth only £797.4m. Over 1992, the FT-SE Index has gained around 14.2 per cent, with the final quarter bringing a dramatic response to the untimely departure of sterling from the European exchange rate mechanism.

Equities opened firmly behind the previous night's Wall Street streogth, but the day's peak of 2,846.7 was soon lost in the absence of institutional interest. However, an important batch of drug approvals by the US regulatory authorities kindled interest in leading pharmaceutical issues and provided the final boost.

There was little further progress among the retail shares, where confirmation of the apparent buoyancy of the Christmas trading period was keenly awaited. The price-cutting round inspired among food retailers by supermarket group J. Sainsbury depressed some high street names.

UK business organisations – including the Confederation of British Industry – and also Mr Norman Lamont, the UK chancellor of the exchequer, expressed optimism for the UK economy in the new single market in the EC.

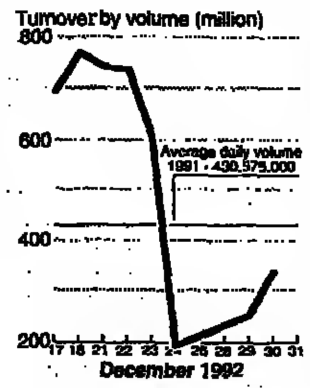
● By New Year's Eve, retail business in equities had begun to recover from pre-Christmas sloth as some funds anticipated a forther advance.

Account Dealing Dates		
*First Dealings:		
Dec 14	Jan 4	Jan 18
Option Declarations:		
Dec 30	Jan 14	Jan 28
Last Dealings:		
Dec 31	Jan 15	Jan 29
Account Day:		
Jan 11	Jan 25	Feb 8

*New time dealings may take place from 8.30am two business days earlier.

London SE volume

Turnover by volume (million)



December 1992

US gives lift to drug shares

THE US authorities on Thursday delivered a year-end boost to the pharmaceutical sector, granting approval to four new drugs from UK companies and sending shares in the recipient groups leaping smartly forward.

Of these, Fisona sbares responded with the biggest percentage advance after the US Food and Drug Administration (FDA) announced that it had approved the group's Tilade asthma product.

Fisons said it intends selling the drug probably by the middle of 1993. The market was also cheered by the company's announcement that it had agreed a marketing arrangement for Tilade in the US with Rhone-Poulenc Rorer. Fisons, which will also co-promote Azmacort, RPR's steroid asthma treatment, in the US, said the two drugs play a complementary role in contributing to the successful treatment of asthma. The stock jumped 15 to 245p.

However, analysts cautioned against expecting any short-term benefit for Fisons' earnings, arguing that the asthma treatment market is a conservative one and that the marketing costs are likely to be high. But they also added that the drug, one of the brightest hopes in Fisons' armoury, should help turn around sentiment in the stock, which has suffered several setbacks in the past year.

Boots received approval from the FDA for its Manoplax heart failure treatment and the shares climbed 12 to 561p. Observers warned that, while this was positive news, the drug's impact could be limited by the fact that it is likely to be used in conjunction with other drugs, and not just on its own. Manoplax received official blessings from UK authorities in August.

The third recipient of FDA approval was SmithKline Beecham, which won consent for its Paxil anti-depressant treatment. The drug is seen as one of the most important developments for the group.

Mr Andrew Porter, pharmaceuticals analyst at Nikko Europe, said: "Since the merger of the two companies and the consequent short-term benefits, the market has been looking for something which would give the combined group organic growth. Paxil is the one which will provide a basis for that."

Analysts also added that Paxil was likely to be marketed at a discount to rival Prozac in tha US. Prozac, the market leader in anti-depressants, manufactured by Eli Lilly, had sales of $550m in 1992 and was expected to have sales of $600m in 1993.

SmithKline forged ahead 20 on tha announcement before retreating to close at 496p, a rise of 12 on the day.

Amersham also received the FDA blessing for its indiclor cancer treatment and the stock advanced 17 to 619p.

Elsewhere in the sector, Glaxo, which gained FDA approval for its Imigran drug on Tuesday, added 8 at 793p, while Wellcome moved forward 5 to 987p.

Worries continued over a price war between Britain's supermarkets. J. Sainsbury had announced on Wednesday that it would cut prices on selected items to combat similarly planned price promotions from the rival Tesco and Argyll – which owns Safeway – chains. After tumbling heavily that day, downward pressure continued on most of tha stocka on Thursday, although volumes were predictably thin.

Argyll slipped 5 to 393p, Kwik Save weakened 11 to 773p and Tesco softened 2 to 249p. After an initial decline, Sainsbury rallied to close 3 ahead on balance at 564p.

Food manufacturers, which had suffered on the back of the Sainsbury move on Wednesday, recovered some ground. United Biscuits improved 3 to 355p and Tate & Lyle 2 to 403p, while Associated British Foods appreciated 6 to 509p and Cadbury-Schweppes ended 5 better at 444p.

Buttressed by Wall Street's firmness the previous night, leading oil issues maintained the solid improvement of recent sessions, although business was thin.

British Petroleum, 3 ahead at 247p, continued to benefit from hopes that both the US dollar and global crude oil prices will rise in the new year. But BP has been included in the market's list of probable rights issuers in 1993 and buying was muted.

Shell Transport fully sustained its status as one of the market's most favoured stocks, although in thin holiday trading conditions the shares could only manage to gain 3 at 562p.

North Sea stocks had a quiet half-day session, with Enterprise Oil unable to move from the overnight quotation of 441p. Enterprise has also found favour in the stock market and is expected to respond readily to any signs of increased activity in global economies, which would help crude oil prices.

Granada Gronp, one of the stocks tipped for a recovery buy in 1993, continned its recent surge, appreciating 13 to 376p. Thorn EMI joined in the recovery story, leaping 21 to 881p.

Holiday groups, heartened all week by reports of buoyant bookings, moved higher. Owners Abroad put on 2¼ at 96½p, while Eurocamp gained 4 at 312p.

House builders continued to respond to reports that estate agents' business had picked up in December. Bilton climbed 6 to 396p, Bellway 7 to 318p, Bryant Group 4 to 108p, Persimmon 6 to 221p and Wilson Bowden 12 to 396p.

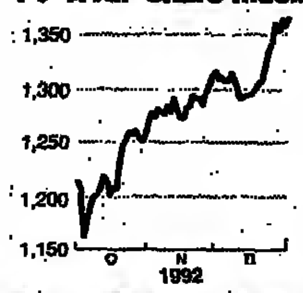
Selected stores shares again benefited from the reports of firm high street sales. Austin Reed "A" added 3 at 111p, Kingfisher 2 at 591p and Marks and Spencer 1¼ at 329½p.

Others, however, ran into a bout of profit-taking. Ratners retreated 2¾ to 12¾p, Storehouse 4 to 202p and Dixons Group 4 to 259p.

RISES AND FALLS THURSDAY

	On Thursday Rises	Falls	Same	On the week Rises	Falls	Same
British Funds	1	50	29	95	61	84
Other Fixed Interest	0	3	12	10	6	29
Commercial, Industrial	331	120	974	1,118	443	2,715
Financial & Property	167	45	584	557	201	1,631
Oil & Gas	15	6	64	50	21	184
Plantations	0	0	9	2	1	24
Mines	25	6	109	87	45	289
Others	31	33	60	127	92	147
Totals	570	263	1,841	2,046	870	5,103

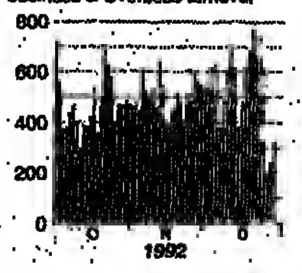
FT-A All-Share Index



1992

Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



1992

NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (139).
AMERICANS (7) American Express, BankAmerica, Citicorp, Dana, Ford Motor, Sun Co., Tenneco, BANKS (1) Lloyds, BREWERS (1) Holt (J), BUILDING MATERIALS (1) Kalon, BUSINESS SERVICES (2) Johnson Cleaners, Wills, CHEMICALS (3) Allied Colloids, Evode, Porvair, CONGLOMERATES (2) Hanson 9½pc Bd., [illegible]

Inc., Murray International B, Murray Smaller Markets B, Overseas Warrants, Pantheon International Parts., Scot. Warrants, Second Alliance, Selective Assets, TR City of Lon. Dfd., TR Far East Inc., TR Tech. Stpd. Pref., Templeton Emerging Markets, Trust of Prop., USDC, Value & Inc., Witan, Do. Warrants, MEDIA (5) CIA, City of London PR, Headline Book Publishing, Johnston Press, Ulster [illegible]

NEW LOWS (3). [illegible]

FT-SE Actuaries Share Indices — THE UK SERIES

[illegible]

FINANCIAL TIMES EQUITY INDICES

[illegible]

TRADING VOLUME IN MAJOR STOCKS

[illegible]

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system on Thursday until 12.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

INTEREST IN the London derivatives markets was very thin on New Year's Eve but stock index futures continued to hold a good premium against the cash market, writes Terry Byland.

Traders said optimism for economic recovery in the new year remained solid, encouraged by favourable comments from Mr Norman Lamont, the UK chancellor of the exchequer, and from the British business community.

At the close of the half-day trading session, the March contract on the FT-SE Index showed a premium of 20 against the cash market – a premium of about eight above fair value, the calculation which allows for dividend and financing flows on the underlying blue chip stocks.

Earlier, the future ran to a premium of 30 against cash, but both institutional and independent traders were unwilling to chase the future any higher ahead of the holiday weekend. Trading volume was a mere 1,688 contracts.

In traded options, similar holiday factors prevailed. Business dropped to 8,691 lots from Wednesday's 21,718, with the FT-SE contract trading only 2,767, against a previous 8,801. The active stocks list was headed by BP (805 contracts), and US regulatory moves encouraged Glaxo (521) and Fisons (445). BTR, on 771 lots, also attracted interest.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Thursday, December 31, 1992. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
[illegible]					

Special Drawing Rights December 30, 1992 United Kingdom £0.909573 United States $1.37862 Germany D Mark 2.22219 Japan Yen171.276. European Currency Unit Rates December 31, 1992 United Kingdom £0.798221 United States $1.21090 Germany D Mark 1.95560 Japan Yen151.060.

Abbreviations: [illegible] Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5. Thursday, December 31, 1992

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1000)F
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Grofund American	5	157.2	158.8	167.2	-0.18	0.00
AIB Grofund Equity	5	205.0	207.8	219.9	-0.10	1.99
AIB Grofund Euro.	5	147.0	149.1	157.0	-0.70	0.30
AIB Grofund Eur.Enhanced	1	101.88	103.93	107.14	+2.94	0.00
AIB Grofund Gilt	3	75.38	76.41	77.74	+0.13	5.44
AIB Grofund Japan	5	125.2	126.6xd	133.3	-0.70	0.00

AXA Equity & Law Unit Tst Mngrs (1200)H
Equity & Law Hse, Corporation St, Coventry 0203 553231

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
General Inc	5	406.1	407.1	433.1	....	2.65
General Acc	5	442.2	443.3	471.7	+0.1	2.65
UK Growth Acc	6	298.5	300.7	319.9	-1.3	3.08
UK Growth Inc	6	214.0	215.5	229.3	-1.0	3.00
Higher Inc Acc	6	515.8	517.8	550.9	-3.6	4.94
Higher Inc Inc	6	317.0	319.4	339.8	-2.3	4.44
Gilts/Fxd Int Acc	5½	168.3	168.3	177.7	-0.1	7.18
Gilts/Fxd Int Inc	5½	90.67	90.67	95.77	-0.04	7.18
Nth America	6	256.2	258.8	275.4	-0.2	0.00
Far East	6	235.3	237.5	252.7	+0.5	3.08
Europe	6	199.6	199.6	212.4	-0.1	1.35
Brit Excell	6	61.43	61.89	65.85	+0.7	3.10
Brit Fndmtls Acc	6	78.15	78.78	83.81	+0.71	5.01
Brit FndmtlS Inc	6	61.34	61.83	65.78	+0.55	5.01
Global Opps	6	63.57	64.21	68.31	+0.25	0.02

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Gilts & Fixed Inc	6	127.3	127.3xd	135.0	+0.1	7.04
High Inc Equity	6	138.4	141.2	150.2	+0.2	5.66
Worldwide Bond	6	254.2	254.2xd	269.4	-1.5	4.64
American Growth	6	274.1	275.8	293.4	-0.5	.49
Asian Pacific	6	181.0	184.9	196.6	-0.3	.97
Assets & Earnings	6	212.7	217.0xd	230.8	+0.3	2.72
Capital Reserve Acc	0	124.2	124.2	124.5	....	5.47
Comdty & Energy	6	64.00	65.58	69.76	+1.12	1.26
1992 Enterprise	6	72.83	74.47	79.22	+1.37	2.61
Euro Capital Acc	6	99.55	101.0	107.4	+0.4	.97
Euro Capital Inc	6	94.33	95.60	101.7	+0.3	.90
General	6	189.5	192.9	205.2	+2.7	2.83
Japan	6	86.94	87.16	92.72	-0.20	-

Britannia Life Unit Managers Ltd (1200)F
190 West George St, Glasgow G2 2PA

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Balanced Growth	6	88.52	89.61	95.[illegible]	[illegible]	[illegible]
Do (Accum)	6	96.65	97.83	104.63	[illegible]	[illegible]
Smaller Cos	6	67.61	67.61xd	72.31	[illegible]	[illegible]
Do (Accum)	6	73.11	73.11	78.19	[illegible]	[illegible]
Higher Yield	6	35.00	35.39	37.85	[illegible]	[illegible]
Do (Accum)	6	47.75	48.29	[illegible]	[illegible]	[illegible]
American Gth Inc	6	51.95	51.95	[illegible]	[illegible]	[illegible]
Do (Accum)	6	32.94	32.94	[illegible]	[illegible]	[illegible]
European Growth	6	87.81	87.81	[illegible]	[illegible]	[illegible]
Do (Accum)	6	88.63	88.63	94.79	[illegible]	[illegible]
Global Bond Inc	6	27.64	27.84xd	[illegible]	[illegible]	[illegible]
Do (Accum)	6	33.96	34.21	[illegible]	[illegible]	[illegible]
Managed P'folio Inc	6	30.98	31.07	33.2[illegible]	[illegible]	[illegible]
(Do Accum)	6	31.07	31.16	33.3[illegible]	[illegible]	[illegible]
Pacific Growth Accum	6	79.77	79.77	85.31	[illegible]	[illegible]
Intl Spec Opps Accum	6	74.55	74.55	79.73	[illegible]	[illegible]

Brown Shipley & Co Ltd (1000)F
9-17 Perrymount Rd Haywards Hth 0444 412262

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Mngd P'folio Inc	6	83.07	83.07	88.47	+0.07	2.35
Mngd P'folio Acc	6	155.5	155.5	165.6	+0.10	-
UK General	6	136.8	136.8	145.7	+0.38	3.48
Conv & General	6	17.39	17.39xd	18.78	+0.05	8.22
European Inc	6	20.92	20.92	22.53	-0.07	0.50
European Acc	6	21.60	21.60	23.26	-0.08	-
Financial	6	101.6	102.5	109.2	-0.10	4.07
Foundation	6	64.75	66.47	70.78	+0.08	3.96
German	6	37.48	37.48	40.20	-0.22	0.10
Growth Inc (5-1)	5	27.04	27.11	28.87	-0.09	3.21
Growth Acc (5-1)	5	31.48	31.56	33.61	-0.11	-
High Income	6	65.91	67.14	71.51	+0.15	6.57
Income	6	111.5	114.2	121.6	+0.20	4.77
Intl Income	6	82.57	82.67xd	88.26	+0.11	5.46
Intl Growth ♣	6	30.90	30.98	32.99	-0.09	0.24
Monthly Income	6	61.00	63.58	67.71	+0.11	4.47
North American	6	101.1	102.2xd	108.8	-0.30	0.20
Orient ♣	6	94.05	94.07	101.2	+1.00	-
Recovery	6	29.28	30.71xd	32.86	-0.04	3.59
Smaller Cos Acc	6	208.7	213.9	228.9	-0.30	-
Smaller Cos Inc	6	122.2	125.5	134.0	-0.20	1.72

Brycourt Unit Tst Mgmt Ltd (1400)F
Hesketh Hse, Portman Sq, W1H 0JR 071-935 6382

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Income Growth	1	189.1	189.1	194.2	....	6.43

Buckmaster Mangmt Co Ltd (0930)H
15 St Botolph Street, London EC3A 7JJ 071-247 4542

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Fellowship Tst	5¼	57.43	58.10	61.81	-0.08	1.60
(Accum Units)	5¼	64.04	64.78	68.92	-0.08	1.60
Income	5¼	195.6	198.1	210.8	....	4.34
(Accum Units)	5¼	444.6	450.4	479.2	-0.1	4.34

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

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FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sharp (Albert E.) & Co (1000)F						
Admin: 5 Rayleigh Rd Hutton, Brentwood Essex						
Enquiries 0277 227300 Dealing 0277 261010						
European	5	100.00	100.00	105.00		
Intl Bond & Conv	5	110.00	119.20	125.50		1.80
Pooled Pension ♦	7	146.0	149.0	160.2	-0.20	5.89
Smaller Cos	5	55.51	57.31	60.33	+4.4	—
UK General	5	115.10	126.90	123.10	+0.10	2.00
Sheppards Unit Trust Magmt Ltd (1200)F						
1 White Hart Yard, London Bridge SE1 071 407 5966						
Income	5	374.61	374.61	397.09	+0.61	5.20
Global Inc	5	53.64	53.64	56.86	+0.16	5.20
Brit Leaders	5	315.06	313.06	333.96	+0.18	4.27
Intl Leaders	5	173.11	173.11	183.50	+0.09	3.06
P Asn Man Bal Gwth Acc ♦	3½	50.24	51.55	53.56	+0.12	1.78
P Asn Man Bal Gwth Inc ♦	3½	50.24	51.55	53.56	+0.04	3.17
Singer & Friedlander UT Mgmt Ltd (1000)F						
PO Box 224, Beckenham, BR3 4TF 081-663 3003						
European Trust	6	47.60	47.60	55.73	-0.26	1.65
Far Eastern Tst	6	51.80	52.59	55.95	-0.18	0.88
Smaller Cos	5	124.6	129.7	138.0	+0.5	3.06
Smith & Williamson Unit Tst Mgrs (1600)F						
1 Riding House St, London W1A 3AS 071-637 5377						
S & W American ♦	5	269.2	269.9	285.6	-0.8	0.96
S & W Capital	5	110.4	110.4	118.3	-0.1	1.98
S & W Cash	0	101.77	101.77	101.77	+0.02	6.61
S & W European	5	107.5	107.7	114.0	+0.2	1.07
S & W Far Eastern	5	100.2	109.2	115.5	-0.4	0.00
S & W Growth	5	117.0	119.1	126.0	-0.5	1.56
S & W Income	5	103.4	104.7	110.8	-0.1	5.58
S & W Magnum	5	116.4	116.4	124.9		1.90
S & W Smllr Secs	5	267.1	273.2	289.0	+0.7	0.80
S & W Thoroughbred	5	134.4	134.7	144.2	-0.1	1.79
Societe Generale Tyndall Oemnant (1200)F						
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 071-248 1250						
American Gwth	5¼	79.48	29.48	85.00	+3.00	0
Eur Sp Sits Acc	5¼	41.16	41.16	43.72	+0.29	0
Eur Sp Sits Inc	5¼	38.88	38.88	41.29	+0.27	0
Far East Opps Inc	5¼	25.92	25.92	27.98	+0.73	0
Far East Opps Acc	5¼	26.63	26.63	28.75	+0.75	0
General Growth	5¼	94.44	94.44	101.50		2.52
General Growth Acc	5¼	98.01	96.01	103.20	—	2.51
Whittingdale Unit Tst Mgmt Ltd (0830)F						
2 Honey Lane, London EC2V 8BT 071-600 0462						
Challenger	2½	88.47	88.47	90.55	+0.09	0.00
Short Dtd Gilt	1¼	107.2	107.2	108.6		3.57
0.5 Govern Bond	1¼	0.7035	0.7035	0.7127	+0.002	0.00
Gilt Income	4	50.97	55.97	63.04	+0.00	8.69
Gilt Growth	4	63.35	63.35	65.94	+0.00	0.00
City Reserve	0	55.45	55.45	55.45	+0.01	6.92
Woolwich Unit Trust Managers Ltd (1700)H						
2 White Oak Square, Swanley BR8 7AG 0705 388046						
Stockmarket Fd F	5	64.38	64.54	68.65	+0.15	2.23

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gross
Baillie Gifford & Co Ltd				
Int'l Exmpt Dec 16	627.6	647.51		1.07
Baring Investment Magmt Ltd				
155 Bishopsgate, London EC2M 3XY				
071 214 1050 (general enquiries) 071 214 1004 (dealing)				
Charitable Funds				
UK Growth & Income	52.40	54.25	+0.07	4.11
Income Plus	48.94	49.94	-0.24	7.5
James Capel Fund Managers Ltd				
European Exempt	—	—		—
Japanese Exempt	—	—		—
Managed Exempt	126.516	133.531	+0.159	3.67
North American Exempt	—	—		—
Pacific Exempt	—	—		—
Cent. Bd. of Fin. of Church of England‡‡				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Inv Fund Nov 55	559.95	565.60		5.27
Fxd Int Sec Nov 55	149.10	149.85		4.60
Deposit Fund See Money Market Trust Funds.				
Charinco/Charishares‡ (1000)F				
33 King William Street, EC4R 9AS 071-280 2800				

	Bid Price	Offer Price	+ or -	Yield Gross
Guardian Royal Exchange – Contd.				
GRE Linked Life Assurance Ltd				
Managed Initial	399.0	420.0	+0.8	-
Do Accum	544.8	573.5	+1.1	-
Equity Initial	589.8	620.8	+2.2	-
Do Accum	805.3	847.7	+3.0	-
Fixed Interest Acc	531.6	559.6	+0.3	-
International Acc	511.7	538.6	+0.1	-
Nth American Acc	207.2	218.1	-1.4	-
Pacific Acc	227.0	255.9	+3.1	-
European Acc	88.4	93.0	-0.5	-
Property Acc	205.4	216.3	-2.4	-

	Bid Price	Offer Price	+ or -	Yield Gross
Legal & General – Contd.				
Exempt Intl Initial	219.2	230.8	-0.1	-
Do Accum	327.2	344.5	-0.3	-
Exempt Mngd Init	673.3	708.8	+2.0	-
Do Accum	1170.5	1179.5	+2.3	-
Exempt N Amer Init	229.8	241.4	-0.8	-
Do Accum	294.1	309.6	+1	-
Exempt Prop Init	273.7	288.2	-0.5	-
Do Accum	455.5	479.5	-1	-
Sp Deposit Init	211.2	243.4		-
Do Accum	341.5	359.5	+0.1	-
Index Fund Init	119.1	125.4	+0.4	-

	Bid Price	Offer Price	+ or -	Yield Gross
NM Life Assurance Ltd				
Enterprise House Portsmouth 0705 827733				
Elite British	109.4	115.1	+0.3	-
Elite European	101.0	107.1	-0.3	-
Elite N American	110.3	116.1	+2	-
Elite Orient	99.2	104.4		-
Elite Global Bond	125.3	131.8	+0.9	-
Elite Olympus	104.2	109.6	+0.5	-
Elite Growth	106.4	112.0	+0.7	-
Elite Income	108.9	114.6	+0.5	-
American	385.0	405.2	+6.0	-
Australian	392.9	413.5	+3.1	-

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Prolific Life & Pensions Ltd

Stramongate, Kendall, Cumbria LA9 4UB 0539 733733

Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Balanced Grth Mngd	632.9	674.6	+4.9	-
Adventurous Mngd	155.4	165.4	+0.3	-
Cautious Mngd	122.9	130.8	+0.5	-
Cash Fd	315.7	332.7	+0.4	-
Property Fund	216.1	229.9	+0.4	-
Equity Fund	740.2	787.5	+2.2	-
Fxd. Int. Fund	398.3	419.8	+0.5	-
International	329.0	350.9	+2.3	-
High Income	582.6	619.8	+3.5	-
Far East	426.3	453.6	+1.0	-
North American	441.0	469.2	+5.7	-
Special Sits	535.2	569.4	+5.5	-
Technology	454.2	483.2	+8.5	-
Extra Inc Fd	318.0	338.4	+1.9	-
Convertible & Gilt Fd	148.7	158.2	+0.2	-
American Income	176.5	187.8	+0.8	-
Gilt Fund 20	438.5	466.5	+0.7	-
European Fund	115.9	123.4	-0.5	-
Pref & Fixed Int	109.9	117.0	+0.2	-
UK Blue Chip	117.5	123.9	-0.4	-
Recovery Fund	110.9	116.9	+0.3	-
Equity Income Dist	105.9	110.6	-0.1	5.00
Managed Dist	99.3	105.7	+0.1	5.25
High Yield Dist	100.4	105.9	+0.1	7.45
Pension Funds				
Balncd Gth Mgd Pens Acc	750.9	790.5	+0.4	-
Adventurous Mgd Pens Acc	162.9	171.5	+0.5	-
Cautious Mngd Pens Acc	141.7	149.2	.....	-
Building Soc. Acc	363.7	382.9	+0.6	-
Property Pens. Acc	294.2	309.7	+0.1	-
Fix. Int. Pens. Acc	628.2	661.3	+1.2	-
Equity Pens. Acc	950.2	1000.3	+1.8	-
International Pens Acc	303.4	319.4	+0.6	-
High Inc Pens Acc	646.1	680.2	---	-
Tech Pens Acc	317.6	334.4	+4.9	-
N American Pens Acc	335.1	352.8	+2.8	-
Far Eastern Pens Acc	429.3	451.9	+1.0	-
Special Sits Pens Acc	434.8	457.7	+1.6	-
Extra Income Pens Fd	384.9	405.2	---	-
Convertible & Gilt Pen	181.6	191.2	+1.0	-
American Inc Pens.	201.5	212.2	+0.5	-
European Pens.	128.6	135.4	-0.3	-
Managed Cash Pens	171.1	180.2	+0.2	-

Reliance Mutual

Reliance House, Tunbridge Wells, Kent 0892 510033

	Bid Price	Offer Price	+ or -	Yield Gross
Deposit Acc Fd	167.8	176.7	+0.3	
Equity Acc Fd	398.7	419.6	+0.1	
Managed Acc Fd	350.3	368.7	+8.1	
Prop Fd (1st Issue)	-	624.1	+10.0	
Prop Acc Fd (2nd Iss)	120.9	127.2	+2.3	
Unit Trust Mn. Fd	158.5	166.9	+0.4	
RL Pension Funds				
Deposit Acc	243.4	256.2	+0.1	
Equity Acc	295.8	311.4	+0.3	
Fixed Int Acc	245.6	258.6	+2.2	
Gilt Indx Lnk Acc	184.6	194.3	+3.5	
Managed Acc	382.0	402.2	+7.7	

J Rothschild Assurance PLC

J Rothschild House, Dollar Street, Cirencester

Telephone: 0285 640302 Helpline: 041 307 6500

	Bid Price	Offer Price	+ or -
Life Funds			
JRA/M&G Managed	112.4	118.4	-0.2
JRA/Gartmore Australia Mngd	108.0	113.7	-0.4
JRA/St James's Place Mngd	114.8	120.9	-0.3
Deposit	100.2	100.5	---
Far East	112.1	118.1	.....
Gilts	105.7	111.3	-0.5
Greater European	108.8	114.6	-0.2
North American	129.6	136.5	.....
UK Equity	112.3	118.3	-0.5
Pension Funds			
JRA/M&G Managed cap	110.5	116.4	-0.2
JRA/M&G Managed acc	114.1	120.2	-0.2
JRA/Scottish Australia Mngd cap	105.5	111.1	-0.5
JRA/Scottish Australia Mngd acc	109.0	114.8	-0.1
JRA/St James's Pl Mngd cap	117.9	124.2	-0.4
JRA/St James's Pl Mngd acc	121.8	128.3	-0.4
Deposit cap	100.0	105.8	+0.4
Deposit acc	103.3	108.8	---
Far East cap	108.4	114.2	+0.1
Far East acc	112.1	118.0	+0.1
Gilts cap	103.5	108.8	+0.4
Gilts acc	106.7	112.4	+0.4

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group (z)

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Property Life Assurance Ltd

Providence Capital Life Assc. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Ass. Assn.

Prudential Assurance Co

Prudential Corporate Pension Funds

Prudential Individual Life Funds

Prudential Individual Pension Funds

Scottish Mutual Assurance plc

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd (z)

Standard Life Assurance Company

Sun Alliance Group

Sun Alliance Group - Contd.

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

Swiss Pioneer Life Plc

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co

Allied Intl Assurance (Bermuda) Ltd

Albany International Assurance Ltd

CMI Insurance Co Ltd

Eagle Star Intl Life

Equitable Life (International)

Eurolife Assurance Group

Fincorp International Ltd

Hafnia Prolific International

Hansard International Ltd

Isle of Man Assurance Ltd

NEL Britannia International Ltd

PanEuroLife

Providence Capital International Ltd

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd (z)

Sun Alliance International Life

Target International Group

MANAGEMENT SERVICES

Bain Clarkson Asset Management

C F S Financial Mngmt

Capital Trust Financial Management

Chase de Vere PLC

Fairmount Financial Services Ltd

Foster & Braithwaite Ltd

IFS Capital Management PLC

Independent Financial Group PLC

Johnson Fry Asset Managers Plc

Knight Williams & Company Ltd

Macarthy Tangy & Dowie Invest Mngt Plc

Northern Stage & Partners

Pendulum Mny Financial Services Ltd

Roxborough Financial Management Ltd

Charles Stanley & Co Ltd

J. D. Ward Financial Services Ltd

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

Lloyd George Management

Newport Investment Management

Orion Fund Limited

CANADA (SIB RECOGNISED)

CBC Asset Management

GUERNSEY (SIB RECOGNISED)

AIB Govett Inv Managers (Guernsey) Ltd

Adams & Neville Fd Mngt (Guernsey) Ltd

Baring Intl Fd Managers (Guernsey) Ltd

Butterfield Fund Managers (Guernsey) Ltd

Equitable International Fund Managers Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd

Hambros Fd Mgrs (CI) Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

Lloyds Intl Money Market Fund Ltd

Lion World Fixed Income Fund

M & G (Guernsey) Ltd

Prudential Fund Managers (Guernsey) Ltd

Rothschild Asset Management (CI) Ltd

Royal Bank of Canada Offshore Fd Mgrs Ltd

Schroder Investment Mngmt (Guernsey) Ltd

GUERNSEY (REGULATED)(**)

ANZ Mngd Co (Guernsey) Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Henderson Fund Managers

Investment Portfolio Svs (CI) Ltd

Lazard Fund Managers (CI) Ltd

Merrill Lynch Guernsey

	Bid Price	Offer Price	+ or -	Yield Gross
Bangkok NAV Dec 30	$93.20			-
Maria Portfolio NAV	$6.30		-0.01	-
Latin Inv Cap Pens Ltd A Sh	$9.79		.....	-

Nikko Capital Mngt (Europe) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
New Generation Fd	$17.53	17.73	.....	-
Japan Index Fund	Y2080	2101		-
Japan Index Alpha	Y6121	4513		-
Jpn Sector Rotation Fd	Y4962	5036		-
Jpn Cos Gorth CB Fd	Y11226	11236		-
Jpn Retn Reversal Fd	Y8462	8543		-

Quilter International Management Ltd

Rothschild Asset Mngmt (CI) Ltd

Sarasin International (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

U.S. Treasury Securities Fund Ltd

Rudolf Wolff Capital Management Ltd

Yamaichi Capital Mngmt (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

GAM Fund Management Ltd (z)

Bank of Ireland Asset Management

Baring International Fund Managers (Ireland) Ltd

Hibernia Prolific International

Morgan Grenfell Investment Funds Ltd

Swiss Life Investment Fund (z)

IRELAND (REGULATED)(**)

Bank of Ireland Unit Managers Ltd

Baring Mutual Fund Managers (Ireland) Ltd

Dunbar Fund Managers (Ireland) Ltd

Gartmore Fund Managers (Ireland) Ltd

Murray International (Ireland) Plc

Sarasin International (Ireland) Plc

Summit International (Ireland) Plc

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mngrs

Allied Dunbar Intl Fund Mngrs

Asset Global Funds Ltd

CMI Fund Managers (IoM)

Gartmore Fund Managers (IoM)

Mercury Fund Managers (IoM) Ltd

Sun Life Managers (IoM) Ltd

ISLE OF MAN (REGULATED)(**)

ATC Fund Management (SG) Ltd

AXA Equity & Law Intl Fund Mngrs

City Financial Admin (IoM) Ltd

Duncan Lawrie Inv. Mgt.

Gartmore Fund Managers (IoM) Ltd

John Govett Management (IoM) Ltd

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	Bid Price	Offer Price	+ or –	Yield Gross
IBI Global Funds Limited				
Intl Stlg Gwth	£20 94	22.05	.....	–
Intl SUS Gwth	$17.83	18.78	.....	–
High Income Gilt	£26.01	26.97	.....	–
International Equity	£21.23	22.36	.....	–
International Bond	£22.80	23.72	.....	–
Managed Currency	£27 61	27.90	.....	–
Sterling Currency	£26 53	26.81	.....	–
US$ Currency	$37 79	38.18	.....	–
Irish £ Currency	I£15 32	15.49	.....	–
R & N Fund Managers Ltd				
LFM Sterling Fd	£11.07	11.64	.....	–
R.F Offshore Inc Fd Ltd	£11.71	12.24	.....	–
Target International (Isle of Man) Ltd				
JMC Offshore Fd	£9 42	10.19	.....	–
Walton Mines W/W $/$	£9.53	9.91	.....	–

JERSEY (SIB RECOGNISED)

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or –	Yield Gr's
AIB Fund Managers (CI) Ltd						
PO Box 468 St Helier Jersey						0534 36633
AIB Currency Funds Ltd						
Intl Managed Bond	5		£– 21.1694	21.1831	.....	–
Managed Capital Sa	5		£– 21.3349	21.3440	.....	–
AIB Govfund Currency Fund Limited						
Stlg Mngd Currency	5		£–	11.0229	.....	–
Sterling Currency Fd	5		£–	10.5874	.....	–
Ecu Currency	5		Ecu–	10 7423	.....	–
US Dollar Mngd Curr	5		$–	21 5549	.....	–
Barclays International Funds						
PO Box 152, St Helier, Jersey CI						0534 67000
Australian Eq (Inc)	5¼	£0 914	0.920xd	0.984	[illegible]	0.7
Global Income (Inc)	5¼	£0.514	0.520xd	0 556	[illegible]	3.0
Global Resources	5¼	£0.415	0.418xd	0.447	[illegible]	0.5
Currency Funds						

	Bid Price	Offer Price	+ or –	Yield Gross
Lloyds Bank Trust Co (CI) Mngrs				
Lloydstrust World Inv Port	£2.529	2.656	+0 016	1 32
Dealing Weekly on Thursday				
Management International (Jersey) Ltd				
Anchor Gilt Edge (z)	£10 00	10 04	–0.01	9.36
Minerals, Oils Res. Shrs. Fd. Inc.				
Mores Dec 31	$13 36	13.64	+0.02	2.93
Nat. Westminster Jersey Fd. Mgrs. Ltd				
Sterling (Income)(z)	53.7	56.0		7 80
UK Equity Fd (z)	224 6	239 0		2.68
*Intl Bond Fd	97.0	100.0xd	+1	7 07
*Sterling Mngd Asset Fd	586.3	586.0	+1	5 00
*Sub. day every Thurs				
NatWest TrustCor Currency Fund (z)				
Dollar Class				
Sterling Class	538 2307		+0 0031	–
D-Mark Class	£27 0220		+0 0046	–
Japanese Yen Class	DM43 9302		+0.0185	–
	Y7973.2631		+0.6435	–
Northgate Unit Tst. Mngr. (Jersey) Ltd				
Pacific Fund Dec 31	$33.51	35 63	+0.30	–
Perpetual UT Mngrs (Jersey) Ltd				
Offshore Intl Gwth Fd	$3.7734	4 0100	.....	–
Offshore Japanese Gwth Fd	$0 9325	0.9910	.....	–
Offshore Am Gwth Fd	$6.5873	7.0004	.....	–
Offshore Emerging Cos	$3.8800	4.1233	.....	–
Offshore European Fd	$1.5300	1.6268	.....	–
Offshore Global Bond	$0.9540	0.9946	.....	–
Offshore Global Bond Acc	$0 9540	0.9946	.....	–
Offshore Far Estrn Fd	$2.2820	2.4256	.....	–
Offshore UK Growth Fd	$1.9712	2.0954	.....	–
The Portugal Fund Limited				
Lloyds Bank Trust Company (Channel Islands) Ltd				
NAV Dec 18		$4.35		–
Royal Bk of Scotland Fd Mngrs (Jersey) Ltd				
Ivory Growth Fund	£14.90	15 12	.....	1.49
LFM Defensive Sector	£11.50	12.18	.....	–

LUXEMBOURG (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

	Bid Price	Offer Price	+ or –	Yield Gross
Austro-Hungary Fund Ltd				
Lloyds Bank Fund Managers (Guernsey) Ltd				
NAV Dec 29		$5 60	.....	–
BEA Associates				

	Bid Price	Offer Price	+ or –	Yield Gross
Global Asset Management – Contd.				
GAM Trading US$ Fund	$144.36		–	–
GAM Deferred Multi-Fd	$123 06		.....	–
GAM Multi-Europe US$	$99 76		.....	–
GAM Multi-Mngr Euro DM	DM95 04		.....	–
GAM Emrg Mkts Multi-Fd	$99.73		.....	–
GAM Market Neutral	103 39		.....	–
GAM Trading DM Fund	DM99.01		.....	–
GAM Overseas	$126.05		.....	–
GAM Pacific	$572.05		.....	–
GAM Selection	$510.65		.....	–

	Bid Price	Offer Price	+ or –	Yield Gross
Odey Asset Management Limited				
Odey European Inc	DM112.34		.....	–
Old Ironsides International Ltd				
Old Ironsides Nov 30	$96.15		.....	–
Omega Overseas Partners Ltd				
Omega Overseas Partners Nov 30	$115 08		.....	–
Optima Fund Management				
Optima Fd NAV Dec 24	$15.85		.....	–
Optima Futs Fd NAV Dec 21	$13 85		.....	–
Optima Short Fd NAV Dec 24	$8.34		.....	–

MANAGED FUNDS NOTES

WORLD STOCK MARKETS

†US MARKETS (4 pm close)

December 31	US$	+ or –
Computer Ass Int	20¾	–⅛
Computer Sciences	78¼	....
Conagra	33¼	–¼
Cons Edison	32⅛	–⅛
Cons Freightways	17⅜	–¼
Cons Nat Gas	45⅛	–⅜
Cons Paper	40¼	+½
Cons Rail	47½	–½
Contl Bank Corp	21⅝	+¼
Contl Corp	26⅞	+¼
Cooper Inds	47⅜	–⅛
Coors (Adolph)	16½	+¼
Corestates Finl	57⅛	–⅝
Corning Inc	37¼	+⅛
Intl Paper	66⅝	+⅛
Interpublic	34⅞	....
InterTAN	11	+⅛
James River Va	18⅛	....
Jefferson Pilot	48	+⅞
Johnson Controls	44⅞	....
Johnson & Johnson	50¼	–¼
K Mart	24½	–⅛
Kellogg	66⅝	–⅞
Kennametal	28½	+⅛
Kerr–McGee	45	–⅜
KeyCorp	38⅞xd	+⅛
Kimberly–Clark	59	–2⅛
Pinnacle West Cap	20⅜	
Pioneer Hi Bred	26⅞	
Pitney Bowes	39⅞	–⅝
Pittston	14⅞	–⅜
Polaroid	31⅛	–¼
Policy Mgt Sys	83½	+2½
Potlatch Corp	46	+⅜
Potomac El Pwr	24⅛	+⅛
Praxair	16½	....
Premier Indl	39	+⅛
Price Co	36¼	+¼
Primark Corp	14¼	+⅛
Primerica	48⅜	–⅛
Procter & Gamble	53⅜	–½
Varity Corp	25⅛	–⅛
Vornado	41½	+1
Vulcan Materials	48¼	+½
Wachovia	68¼	+⅛
Wahnoco Oil	3.62	....
Walgreen	43⅛	+⅜
Wal–Mart Stores	63⅜	–1
Wang Labs B	0.38	....
Warner–Lambert	69⅛	+⅛
Washingt Gas Light	38⅝	....
Washingt Post B	229¾	–½

†CANADA (4 pm close)

December 31	Can. $	+ or –
Telus Corp	13	....
Thomson Corp	14½	+⅛
Toronto Dom Bk	16⅝	+⅛
Total Pet N Am	7½	....
Transalta	13⅜	....
Trans Can Pipe	17⅝xd	–⅛
Trimac	9⅜	+¼
Trizec A	2.65	–0.01
United Dominion	10½	+⅛
Univa	7⅜	....
Westcoast Energy	17¼	....
Weston (George)	37	....

AUSTRIA · BELGIUM/LUXEMBOURG · DENMARK · FINLAND · FRANCE · GERMANY · ITALY · NETHERLANDS · NORWAY · SPAIN · SWEDEN · SWITZERLAND · SOUTH AFRICA · AUSTRALIA · HONG KONG · MALAYSIA · SINGAPORE · JAPAN

INDICES

NEW YORK DOW JONES

	Dec 31	Dec 30	Dec 29	Dec 28	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3301.11	3321.10	3310.84	3333.26	3413.21 (1/6)	3136.58 (9/10)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	103.89	103.31	103.23	103.27	103.89 (31/12)	98.41 (20/3)	103.89 (31/12/92)	54.99 (1/10/81)
Transport	1449.21	1456.26	1444.17	1444.37	1467.68 (20/2)	1204.40 (26/8)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	221.02	222.08	222.02	222.77	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

DJ Indl. Day's High 3340.29 (3338.93) Low 3294.36 (3299.22) (Theoretical♦)
Day's High 3327.86 (3328.67) Low 3301.11 (3309.76) (Actual♦)

STANDARD AND POOR'S

	Dec 31	Dec 30	Dec 29	Dec 28	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	435.71	438.82	437.98	439.15	441.28 (18/12)	394.50 (8/4)	441.28 (18/12/92)	4.40 (1/6/32)
Industrials	507.46	511.41	510.48	512.34	515.75 (18/12)	470.91 (8/4)	515.75 (18/12/92)	3.62 (21/6/32)
Financial	40.89	41.07	40.89	40.79	41.07 (30/12)	32.40 (8/4)	41.07 (30/12/92)	8.64 (1/10/74)
NYSE Composite	240.21	241.16	240.66	241.01	242.08 (18/12)	217.92 (8/4)	242.08 (18/12/92)	4.46 (25/4/42)
Amex Mkt. Value	399.23	395.75	393.83	394.18	418.99 (12/2)	364.85 (9/10)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	676.95	671.85	669.01	666.25	676.95 (31/12)	547.84 (26/6)	676.95 (31/12/92)	54.87 (31/10/72)

	Dec 24	Dec 10	Dec 11	year ago (approx.)
Dow Industrial Div. Yield	3.11	3.12	3.13	2.99

	Dec 16	Dec 9	Dec 2	year ago (approx.)
S & P Industrial div. yield	2.58	2.58	2.61	2.78
S & P Indl. P/E ratio	26.78	27.10	26.71	23.24

	Dec 31	Dec 30	Dec 29	Dec 28	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1549.9	1538.2	1539.8	(c)	1684.50 (22/5)	1357.20 (16/11)
All Mining (1/1/80)	602.3	597.3	600.5	(c)	726.00 (3/7)	545.40 (16/11)
AUSTRIA						
Credit Aktien (30/12/84)	(c)	312.96	312.10	312.44	458.57 (24/2)	291.41 (13/8)
Traded Index (2/1/91)	(c)	747.70	749.43	752.86	1099.43 (24/2)	682.96 (13/8)
BELGIUM						
BEL20 (1/1/91)	(c)	1127.02	1128.18	1132.99	1235.40 (2/6)	1046.07 (2/9)
DENMARK						
Copenhagen SE (3/1/83)	(c)	261.59	265.21	264.23	365.29 (15/1)	250.42 (28/10)
FINLAND						
HEX General (28/12/90)	(c)	829.0	824.8	828.5	936.90 (24/2)	541.00 (7/9)
FRANCE						
CAC General (31/12/81)	484.49	482.03	481.07	480.09	565.93 (12/5)	441.70 (7/10)
CAC 40 (31/12/87)	1857.78	1858.77	1870.28	1857.53	2077.49 (11/5)	1611.04 (5/10)
GERMANY						
FAZ Aktien (31/12/58)	(c)	602.97	604.15	604.22	725.26 (26/5)	565.61 (12/10)
Commerzbank (1/12/53)	(c)	1704.4	1709.7	1710.1	2043.80 (25/5)	1594.60 (12/10)
DAX (30/12/87)	(c)	1545.05	1542.23	1544.61	1811.57 (25/5)	1420.30 (6/10)
HONG KONG						
Hang Seng Bank (31/7/64)	5512.39	5467.89	5444.13	5531.65	6447.11 (12/11)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1227.35	1225.76	(c)	(c)	1469.57 (17/1)	1094.88 (19/10)
ITALY						
Banca Com. Ital. (1972)	446.33	451.18	449.03	438.48	551.59 (6/2)	354.93 (16/9)
MIB General (2/1/92)	894.6	894.8	890.0	868.0	1086.00 (5/2)	696.00 (16/9)
JAPAN						
Nikkei (16/5/49)	(c)	16924.95	17285.64	17188.62	23801.18 (6/1)	14309.41 (18/8)
Tokyo SE (Topix) (4/1/68)	(c)	1307.66	1326.38	1321.84	1763.43 (6/1)	1102.50 (18/8)
2nd Section (4/1/68)	(c)	1730.65	1727.42	1727.78	2459.85 (6/1)	1502.77 (19/8)
MALAYSIA						
KLSE Composite (4/4/86)	643.96	642.66	642.95	645.85	660.35 (5/11)	546.63 (14/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	(c)	294.2	294.8	295.6	314.90 (9/6)	274.00 (8/1)
CBS All Shr (End 1983)	(c)	198.8	198.4	198.9	215.50 (26/5)	189.70 (25/8)
NORWAY						
Oslo SE Indl (2/1/83)	(c)	666.74	660.62	659.15	772.74 (18/5)	532.43 (25/8)
PHILIPPINES						
Manila Comp (2/1/85)	1256.22	(c)	1256.22	1241.01	1580.95 (11/6)	1083.01 (17/3)
SINGAPORE						
SES All-Singapore (2/4/75)	394.63	392.81	391.41	390.43	416.99 (21/1)	351.41 (21/10)
SOUTH AFRICA						
JSE Gold (28/9/78)	798.0ψ	795.0	804.0	816.0	1327.00 (21/1)	746.00 (10/11)
JSE Industrial (28/9/78)	4363.0ψ	4363.0	4367.0	4356.0	4689.00 (4/6)	3936.00 (19/10)
SOUTH KOREA***						
Korea Comp Ex. (4/1/80)	(c)	(c)	(c)	678.44	691.48 (8/2)	459.07 (21/8)
SPAIN						
Madrid SE (30/12/85)	214.25	215.12	214.92	215.07	266.51 (28/2)	179.48 (5/10)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	(c)	912.6	913.7	917.8	1014.50 (11/5)	639.00 (5/10)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	(c)	925.8	921.4	921.3	925.80 (30/12)	748.50 (8/1)
SBC General (1/4/87)	(c)	687.6	685.8	685.7	687.60 (30/12)	596.40 (26/8)
TAIWAN**						
Weighted Price (30/6/66)	(c)	(c)	3377.86	3327.67	5391.63 (30/1)	3327.67 (28/12)
THAILAND						
Bangkok SET (30/4/75)	(c)	893.42	888.20	890.83	963.03 (5/11)	667.84 (19/5)
WORLD						
M.S. Capital Intl.(1/1/70) (S)	498.7*	498.8	499.6	501.1	542.10 (1/1)	467.50 (8/9)
Euro Top-100 (26/6/90)	(c)	875.65	878.78	874.17	976.55 (25/5)	772.52 (5/10)

**Saturday December 26: Taiwan Weighted Price: (c), Korea Comp Ex. 678.93.
ψ Subject to official recalculation. *Calculated at 15.00 GMT.

Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX—1,000, JSE Gold—255.7, JSE 26 Industrials—264.3 and Australia All Ordinary and Mining—500; (c) Closed. (u) Unavailable.

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day
IBM	4,162,600	50⅛	+ ⅛
RJR Nabisco	3,371,400	8½	----
Citicorp	3,333,000	22⅜	+ ⅝
Westngh El	2,071,100	13⅛	+ ⅝
Tucson El	2,062,100	2½	----
Merck	1,863,300	43⅛	- ⅝
Syntex	1,835,500	23⅛	- ⅜
Glaxo	1,672,100	23⅜	- ⅛
Horsham	1,603,700	8⅞	+ ½
Gen Motors	1,379,200	32⅜	- ⅛

TRADING ACTIVITY

† Volume Millions	Dec 31	Dec 30	Dec 29
New York SE	165.910	183.870	213.660
Amex	17.937	17.031	15.240
NASDAQ	(u)	195.482	199.710
NYSE			
Issues Traded	2,394	2,427	2,424
Rises	1,115	1,053	996
Falls	682	765	826
Unchanged	597	609	602
New Highs	107	76	120
New Lows	5	19	16

CANADA TORONTO

	Dec 31	Dec 30	Dec 29	Dec 24	1992 HIGH	1992 LOW
Metals & Minerals	2814.84	2769.40	2769.70	2741.40	3238.87 (16/1)	2529.91 (17/11)
Composite	3350.40	3326.83	3314.87	3319.91	3666.00 (16/1)	3195.40 (14/10)
MONTREAL Portfolio	1771.12	1763.89	1756.26	1760.83	1937.59 (16/1)	1663.16 (14/10)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's).

Price data supplied by Telekurs.

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. (u) unavailable. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Owing to technical problems, North America prices for Dec. 29 were the closing prices for Dec 30 in later editions were closing.

WORLD STOCK MARKETS

AMERICA

Late program selling hits Dow

Wall Street

TRADING ended 1992 in quiet fashioo, with a handful of economic statistics giving little direction to the market, *writes Nikki Toit in New York.*

For most of Thursday the Dow Jones Industrial Average posted very modest advances, having opened with a three-point gain and, aside from a brief setback midday, holding on to this for most of the session. However, in the last half-hour of trading, an unexpected spate of computer-guided program selling developed and the index ended the session with a loss of 19.99 at 3301.11.

The more broadly-based Standard & Poor's 500 also ended the day with decline, 3.10 to 435.72, although the American Stock Exchange rose 3.48 to 399.23. The Nasdaq composite increased by 5.10 to 676.95. Dealing volumes, however, remained light on all markets, with the New York Stock Exchange registering some 166.7m shares traded. Advances outweighed declines by approximately two to one.

In early trading, the market's main focus was on further data suggesting that the economy is recovering and that confidence is beginning to return. The initial unemployment claims report for the week ended December 19 showed an unexpectedly sharp fall of 28,000 to 332,000 - news which pushed down bond prices but generally heartened the stock market. Later in the day, the National Association of Purchasing Management's index for December – accidently released four days early – also indicated further expansion in the manufacturing economy.

There was a virtual dearth of corporate news, and even the mostly actively traded stocks showed only narrow gains or losses. IBM, for example, added $¼ to $50⅜, while Citicorp, the largest commercial banking group, gained $⅜ at $22⅜. On the consumer front, RJR Nabisco, the tobacco and food group, rose $⅛ to $8⅝, Philip Morris eased back by $⅛ to $77, and Coca-Cola lost $⅛ at $41⅞. Amongst industrials, Westinghouse was one of the more actively tradad stocks, adding $⅛ at $13⅜.

Some retail shares continued to climb, on thoughts that the holiday season has been encouraging for US stores and that any revival in consumer confidence will boost prospects further. J C Penney, for example, gained $⅜ at $77¼, Dayton Hudson added $⅜ at $75⅜.

In the transportation sector, only one of the three big airline stocks ended the year on a positive note; AMR gained $¾ at $67¼, but UAL slipped $¼ to $126¼ while Delta Air Lines nudged $⅛ lower at $50 ⅛.

Canada

TORONTO climbed in thin dealings on some year-end position-squaring and short-covering, the TSE-300 index closing 23.6 higher at 3,350.4 in volume of 26.1m shares valued at C$182.7m, compared to 30m shares on Wednesday.

The market ended 1992 some 4.6 per cent lower than a year ago. The TSE's media and metals groups led gains.

Global equities mixed

EUROPE was mixed, after *Pacific Rim markets* ended the year on a positive note.

PARIS saw arbitrage activity and block trading swell volume to some FFr3bn in the last session of the year as the CAC-40 index closed just 0.99 lower at 1,857.78. Among the actives were St Gobain, down FFr10 at FFr510, and Paribas, losing FFr13.50 to FFr345.50.

Chargeurs and L'Oreal went against the trend with rises of FFr52 and FFr16 to FFr1,294 and FFr1,067 respectively.

MILAN moved privatisation stocks yet again, BCI rising L70 to L4,740 and Credito Italiano L210 to L3,210 on the kerb after Wednesday's falls. The general tone was more sombre as the Comit index declined 4.85 to 446.37.

MADRID saw weakness in construction as the general index eased 0.87 to 214.25. Dragados lost Pta 90 to Pta 1,220.

ISTANBUL, boosted by a new tax incentive measure, advanced 48.85 to 4,004.18 in turnover of some TL168bn.

TEL AVIV ended the year 96 per cent higher than it began, the market index adding 1.79 at 195.97 on Thursday.

HONG KONG was firmer on year-end window dressing in quiet half-day trading. The Hang Seng index gained 44.50 at 5,512.39 in turnover of HK$1.14bn. SINGAPORE's Straits Times Industrial index rose 11.94 to 1,524.40 in volume of 46.6m shares. Among the actives, SIA Foreign climbed 60 cents to S$18.50, Singapore Press Foreign put on 40 cents at S$15.90 and F & N gained 20 cents at S$11.40.

MANILA was encouraged by PLDT's strong performance in New York and the composite index moved up 15.21 to 1,256.22 in turnover of 409m pesos. PLDT rose 25 pesos to 870 and Philippine National Bank closed 5 pesos up at 230.

KUALA LUMPUR rose on interest in speculative stocks as the composite index gained 1.30 at 643.96. Turnover was estimated at M$135m.

AUSTRALIA closed at a three-month high but in low volume. The All Ordinaries index added 11.8 at 1,549.9.

Europe underperforms as currency crises bite

Adrian Fitzgerald on 1992, and prospects for 1993

As a foretaste of what to expect this year, the events of 1992 were totally unhelpful. Twelve months ago, I argued that currency stability and economic convergence within Europe necessitated a radical re-think of portfolio management. I argued that, in order to achieve efficient diversification, investors based in Europe needed to decrease, rather than increase, their exposure to EC stock markets.

The theory still holds. The problem, however, is that there is now an even bigger question mark over the extent to which currency stability and economic convergence can be achieved within the EC. The events of 1992 will have served to rule these out as automatic, long-term assumptions in the minds of investors.

Ironically, it is currency instability, both within and without Europe, which will have sorted out the winners from the losers last year.

The French market, for example, gave only a modest return (6 per cent). UK investors in that market nevertheless enjoyed a 24 per cent sterling return, thanks to the *relative strength of the* franc.

The reverse holds, of course. French investors in the UK market earned less than 3 per cent, in contrast to the 20 per cent earned by UK investors in their own market.

It was the strength of the US dollar against most major currencies which really transformed international equity returns in 1992. And, while the assumptions underlying my diversification theory may have collapsed, European investors who did increase their stake in Wall Street would have benefited substantially. The return on the US market itself (9 per cent) may have been modest, but the dollar return earned overall would have far surpassed this.

TOTAL RETURNS (%) 1992	Local Market	US Market	European Market
US	9	9	-4
UK	20	33	18
France	6	14	1
Germany	-4	14	1
Italy	-5	35	20
Netherlands	10	14	1
Australia	-6	20	6
Hong Kong	25	a	-4
Japan	-18	8	-5

All this is already history. A fresh start can be made on Monday morning, although decision-making is going to be no easier in 1993, especially taking into account the strains and stresses within the European Community.

Nor is the general economic outlook for Europe any reason for optimism. The fall in sterling and interest rates should fuel some modest growth in the UK *this year; elsewhere, however,* the news becomes gloomier by the month, particularly in Germany.

Further abroad, anyone reading Emiko Terazono's recent article (*Financial Times*, December 29) can only have been drawn to the conclusion that another painful and volatile year also lies ahead in Japan.

The Tokyo stock market may have found a bottom, thanks to government support, but it would be only realistic to assume that pent-up selling pressure will continue to delay the very long haul back to peak 1989 levels.

Cheerier news is emerging from the US, where the economy appears to be gaining momentum at last. But, even there, considerable uncertainties prevail, not least as to how the incoming administration intends to sustain recovery, while being seen to tackle structural deficit and debt problems.

The bottom line is that we are still in an economic mess. And the cleaning-up process will be far from easy. There is also a considerable danger that quick fixes will be found instead of long-term solutions, given political pressures worldwide.

The only safe prediction to make for 1993, it seems, is that the volatility of currency and equity markets will remain exceptionally high.

It also seems that UK-based investors will have more to cope with than many of their international counterparts. While I am sure Mr Lamont will have consulted his Wise Men over the festive period, it is difficult to believe that the U-turns and humblings which were such features of 1992 will suddenly stop.

This view may be far too parochial, now that we have all become European citizens. On the other hand, that may not happen effectively until the UK has ratified the Treaty.

Footnote: All 1992 stock market statistics have been calculated to Christmas Eve. Adrian FitzGerald is Director, Equity Research of County NatWest WoodMac.

FT-SE Actuaries Share Indices

December 31 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1082.72	1083.49	1082.85	1083.24	-	-	-	1083.35
FT-SE Eurotrack 200	1169.14	1168.98	1168.25	1167.67	-	-	-	1169.11

	Dec 30	Dec 29	Dec 24	Dec 23	Dec 22
FT-SE Eurotrack 100	1084.02	1086.47	1078.93	1073.60	1072.92
FT-SE Eurotrack 200	1166.76	1167.59	1160.29	1154.31	1157.60

Base value 1000 (26/10/90) High/day: 100 - 1083.85, 200 - 1169.47 Low/day: 100 - 1082.05 200 - 1164.82 †Partial

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY DECEMBER 31 1992								WEDNESDAY DECEMBER 30 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (68)	125.12	+0.5	122.52	98.74	105.35	121.00	+0.7	4.02	124.48	122.02	88.00	104.45	120.13	153.68	108.16	149.69
Austria (18)	140.16	+0.1	137.25	110.61	118.01	117.39	+0.0	2.06	140.03	137.27	110.25	117.51	117.39	188.70	134.91	166.19
Belgium (42)	133.23	-0.3	130.46	105.13	112.17	109.24	+0.0	5.24	133.63	130.98	105.20	112.13	109.24	152.27	123.23	144.94
Canada (113)	115.64	+0.5	113.24	91.26	97.36	106.47	+0.7	3.19	115.10	112.82	90.61	96.57	105.72	142.12	111.36	136.13
Denmark (34)	186.72	-0.4	182.26	146.89	158.71	158.84	+0.0	1.72	186.94	183.24	147.16	158.66	158.84	273.94	181.70	288.57
Finland (15)	69.61	+0.1	68.17	54.94	58.61	78.41	+0.0	1.85	69.55	68.17	54.76	58.36	78.41	88.80	52.84	79.84
France (99)	147.16	-0.4	144.12	116.14	123.91	127.55	+0.1	3.54	147.71	144.79	116.29	123.94	127.44	166.75	136.93	148.17
Germany (64)	104.04	-0.3	101.88	82.12	87.60	87.60	+0.0	2.59	104.40	102.33	82.20	87.60	87.60	129.69	102.51	118.88
Hong Kong (53)	221.56	+0.7	216.96	174.85	186.55	220.21	+0.7	4.09	218.88	215.63	173.19	184.60	218.81	262.28	176.36	178.63
Ireland (16)	135.74	-0.7	132.96	107.16	114.32	117.68	-0.2	4.65	136.70	134.00	107.63	114.71	118.06	173.71	122.98	170.98
Italy (77)	54.67	-1.2	53.73	43.30	46.20	60.38	-0.3	3.44	55.56	54.46	43.74	46.62	60.54	90.86	47.47	74.73
Japan (472)	105.03	-0.3	102.86	82.89	88.44	82.89	+0.0	1.01	105.29	103.22	82.89	88.35	82.89	140.96	87.27	136.26
Malaysia (69)	261.46	-0.4	256.04	206.34	220.14	263.38	-0.3	2.52	262.56	257.37	206.71	220.32	264.08	282.42	212.48	212.70
Mexico (18)	1647.91	-0.1	1613.72	1300.52	1387.50	5621.41	-0.1	1.07	1649.77	1617.15	1298.87	1384.35	5627.76	1766.77	1185.84	1378.91
Netherland (25)	151.40	-0.3	148.26	119.48	127.48	125.69	+0.0	4.52	151.90	148.90	119.59	127.47	125.69	169.70	147.86	154.88
New Zealand (13)	42.89	-0.3	42.00	33.85	36.11	44.31	-0.3	5.03	43.01	42.16	33.86	36.09	44.43	48.52	37.39	48.77
Norway (22)	137.71	+0.0	134.85	108.68	115.95	129.30	+0.0	1.86	137.66	134.94	108.38	115.52	129.30	192.55	128.05	181.67
Singapore (38)	213.36	+1.0	208.94	168.39	179.64	161.30	+1.0	2.04	211.19	207.02	166.27	177.21	159.76	229.63	179.65	218.04
South Africa (60)	148.10	+0.2	145.02	116.88	124.69	157.15	+0.1	3.24	147.83	144.91	116.39	124.04	157.04	263.60	134.21	246.19
Spain (46)	116.61	-0.6	114.18	92.03	98.18	101.20	-0.5	5.99	117.29	114.97	92.34	98.42	101.69	181.72	107.10	150.37
Sweden (31)	165.56	-0.3	162.12	130.66	139.40	173.34	+0.0	2.26	166.08	162.80	130.76	139.37	173.34	200.28	149.89	178.26
Switzerland (60)	113.01	-0.4	110.66	89.19	95.16	102.67	+0.0	2.08	113.51	111.27	89.37	95.26	102.67	122.37	85.99	99.60
United Kingdom (226)	172.36	+0.1	168.78	136.01	145.11	168.78	+0.4	4.39	171.43	168.04	134.95	143.84	168.04	200.07	151.88	185.12
USA (522)	178.10	-0.6	174.40	140.56	149.96	178.10	-0.6	2.87	179.26	175.71	141.14	150.43	179.26	180.08	160.92	169.90
Europe (777)	136.01	+0.0	133.18	107.34	114.53	124.85	+0.1	3.78	136.05	133.35	107.11	114.16	124.68	158.88	131.31	147.31
Nordic (102)	148.29	-0.3	145.22	117.03	124.86	139.09	+0.0	2.07	148.77	145.82	117.12	124.83	139.09	188.52	141.24	183.92
Pacific Basin (713)	109.71	-0.1	107.44	86.59	92.38	88.58	+0.1	1.37	109.88	107.70	86.51	92.20	88.32	141.87	93.70	137.47
Euro - Pacific (1490)	120.35	-0.1	117.88	94.98	101.33	102.95	+0.1	2.47	120.46	118.06	94.83	101.08	102.86	145.21	113.80	141.73
North America (635)	174.22	-0.6	170.61	137.51	146.72	173.24	-0.6	2.88	175.28	171.82	138.02	147.11	174.26	178.04	156.70	167.78
Europe Ex. UK (551)	114.39	-0.4	112.02	90.30	96.34	101.10	-0.1	3.32	114.90	112.62	90.46	96.43	101.19	132.96	111.23	124.70
Pacific Ex. Japan (241)	155.69	+0.5	152.46	122.89	131.10	144.22	+0.8	3.69	154.97	151.91	122.03	130.06	143.41	175.31	146.06	149.39
World Ex. US (1861)	121.45	-0.1	118.93	95.85	102.26	105.01	+0.1	2.49	121.53	119.13	95.69	101.99	104.69	146.61	115.69	143.44
World Ex. UK (1877)	136.46	-0.4	133.63	107.70	114.90	123.44	-0.3	2.45	137.07	134.36	107.92	115.03	123.78	150.56	127.21	148.06
World Ex. So. Af. (2143)	139.66	-0.3	136.78	110.23	117.60	127.11	-0.2	2.65	140.11	137.34	110.32	117.58	127.38	153.05	130.04	150.86
World Ex. Japan (1731)	159.16	-0.3	155.86	125.62	134.03	153.38	-0.3	3.21	159.72	156.56	125.76	134.04	153.81	165.40	151.93	160.66
The World Index (2203)	138.60	-0.3	136.71	110.18	117.55	127.42	-0.2	2.86	140.05	137.28	110.27	117.63	127.69	153.70	130.66	151.29

Markets closed December 31: Austria, Belgium, Denmark, Finland, Germany, Japan, Netherlands, Norway, Sweden and Switzerland.

LONDON SHARE SERVICE

BRITISH FUNDS | BRITISH FUNDS - Cont. | BRITISH FUNDS - Cont.

[illegible]

OTHER FIXED INTEREST

[illegible]

Continued on next page

AMERICANS

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Net asset values supplied by County NatWest Wood Mackenzie as a guide only. See guide to London Share Service.

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

INVESTMENT COMPANIES

Net asset values supplied by County NatWest Wood Mackenzie as a guide only. See guide to London Share Service.

MEDIA

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

Glencar Expl IE ‡‡	5	—	16	6	1.48	–
Greenwich Res □	5¼	—	11	2	3.86	–
Hemlo Gold C$	£4	—	£5½	£3¼	385.6	2.5
Ivernia West IE ‡‡□	33	—	58	30	18.6	–
Kells Mins IE ‡‡□	5	—	42	5	8.16	–
Kenmare □	6½	—	7	2¼	8.24	–
Melinga Res.	24	–½	48	0	2.65	–
Nevan Res IE ‡‡	34	—	34	16	4.58	–
Oryx Gold	48½	—	107	40¾	–	–
Plateau	38	—	13	3	1.37	–
RTZ □	663½	+4½	683½	469	6,856	3.8
Vizcaya	3	—	3	1	1.61	–

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. *Dividends and Dividend covers are published on Monday.*

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset figures (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * *Highs and lows marked thus have been adjusted to allow for rights issues for cash*
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
q Rights issue pending.
q *Earnings based on preliminary figures.*
s Dividend yield excludes a special payment.
t Indicated dividend *yield, p/e ratio based on* latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xf ex capital distribution.

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FINANCIAL TIMES
Weekend January 2/January 3 1993

NatWest uses psychometrics on life insurance sales recruits

Bank staff sit personality tests

By John Gapper, Banking Correspondent

ABOUT 1,500 National Westminster Bank staff have undergone personality testing in the selection process for the bank's new life insurance sales subsidiary.

Recruitment to NatWest Life, which is expected to become one of the 20 largest life insurers in Britain in its first year, has involved some of the broadest uses of psychometric testing of employees yet seen in high street banking.

Psychometric testing requires job applicants to answer questions designed to test motivation and personality.

Several banks, including Barclays and Lloyds, are considering using the tests to select employees who are suited to selling financial products. The banking code of practice introduced this year places some restrictions on such selling.

Traditional bank recruitment has relied on clerical staff and managers having obtained basic academic qualifications. Personality tests have been thought irrelevant because bank staff have performed a mixture of office tasks.

But NatWest Life, which is being launched this month with capital of £105m, has used psychometric tests and interviews to select its sales force. About 1,500 have been recruited from the bank's branch network.

Mr Lawrence Churchill, chief executive of NatWest Life, said the subsidiary had "stronger requirements on personal qualities than for the average member of branch staff". It needed employees who were self-starting and sociable.

NatWest Life, 92.5 per owned by the bank, is a joint venture with Clerical Medical. It is NatWest's first venture into offering tied insurance rather than independent intermediary advice through NatWest Insurance Services.

The subsidiary will sell its own insurance products through 2,700 NatWest branches. Its sales force will be divided into about 1,500 advisers selling insurance, and 200 financial planning managers who will give other investment advice.

The bank hopes NatWest Life will emulate the success of other clearing bank subsidiaries selling tied insurance, including Lloyds Bank's Black Horse Financial Services subsidiary, which sells Lloyds Abbey Life products.

Mr Churchill said it hoped to sell 200,000 policies in its first year. He said NatWest believed insurance sales could eventually form "a significant proportion of profits".

Most of the 1,500 sales staff have transferred from NatWest Insurance Services.

Pit jobs worried cabinet in 1962

Richard Evans on contrasts over mine plans

CABINET papers released yesterday show a sharp contrast between the attitude to pit closures of the Macmillan administration 30 years ago and the closure programme announced by the government in October.

The Conservative leadership of 1962, which included one-nation Tories such as Rab Butler and Iain Macleod, gave only qualified support to a plan to close uneconomic pits. It urged the National Coal Board to consider fully the social implications of closures.

In contrast, Mr Michael Heseltine, trade and industry secretary, said on October 13 last year that 31 of Britain's 50 pits were to close with the loss of 30,000 jobs. His announcement led to widespread claims of insensitivity and a failure to grasp the human dimensions of the recession.

On July 5 1962 the cabinet discussed a memorandum by the chancellor of the exchequer, Mr Selwyn Lloyd – now released under the 30-year rule – which disclosed a plan by the NCB to break even over the five-year period 1963-67. Demand for coal was estimated at 190m tons a year for several years ahead, and the closure of uneconomic pits would have been necessary to meet financial targets. In the previous year the board had maintained 162 collieries classed as "gross losers" in the sense that their operating costs exceeded the income from coal produced.

According to the chancellor, this strategy was "economically sound, though it would give rise to some social and political difficulties". After a long debate which showed widespread concern for the impact of pit closures on mining communities, the cabinet agreed that the board's policy on closures should receive qualified support.

It was proposed that in indicating the government's general approval, Richard Wood, minister of power, should inform the NCB of ministers' assumption "that the board would, so far as possible, time their closures to minimise the social difficulties which would result from them".

It was added that the NCB's attention should be drawn to parts of the country where these difficulties would be most acute.

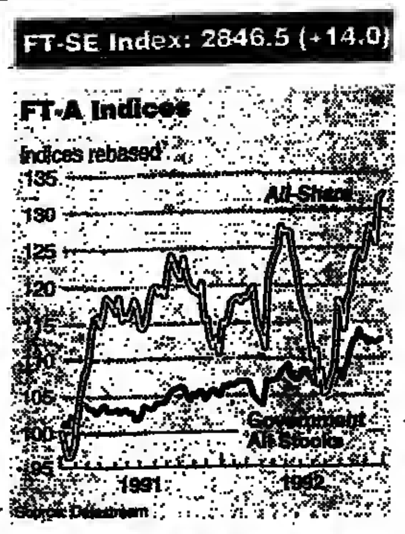
The cabinet decided to maintain the policy of not allowing imports of US coal. It agreed that any protests from the US administration over inconsistencies between this policy and the General Agreement on Tariffs and Trade could be met by an assurance that the policy would be re-examined a year later.

Ministers embarrassed, Page 4

Cheering Somali children greeted US president George Bush yesterday when he visited an orphanage in Baidoa, one of the towns worst hit by the famine. His visit to Somalia was marred by fighting in Mogadishu, in which at least 17 people were killed. Report, Page 3

THE LEX COLUMN

New year ambitions



This time last year the dominant question for UK investors was whether equities could continue to outperform bonds. The prospect of low inflation and sluggish growth in the straitjacket of the ERM made it appear as though gilts, for once, had the more sparkling future.

Since the UK's departure from the ERM in September, the debate has seemed academic. Until then equities had enjoyed a total return of under 6 per cent compared with 10 per cent for UK bonds. But the devaluation turned that on its head. According to the WM Company, equities returned 20.6 per cent in 1992 as a whole, bonds only 15.5 per cent. Since devaluation paved the way for economic recovery, equities should outperform again in 1993. There is a danger, though, in overestimating the degree.

In theory the UK is now free to focus its economic policy on growth, while the gilts market is likely to be weighed down with problems of over-supply. The Treasury, however, is forecasting growth of only 1 per cent this year and even the most optimistic City forecasts do not go much above 1.5 per cent. As price pressures remain relatively muted, the UK is perhaps not quite as far removed from the low growth, low inflation environment as might have been expected after its dramatic exit from the ERM.

Feeble growth

The Treasury's expected growth rate is feeble for an economy emerging from recession. It is only about half that achieved by the US last year in a recovery that was far too weak to save President Bush from electoral defeat. The equity market is thus taking a lot on trust. All the more so, since the FT-SE Index has risen by 33 per cent over the past two recessionary years while reported industrial earnings have fallen by some 18 per cent.

That leaves the market on a historic multiple of over 17, a range not seen since the run up to the 1987 crash. Arguably such a rating is justified on the grounds that inflationary expectations have fallen. Low inflation enhances the quality of earnings, enabling shares to trade on a higher rating even though prospects for nominal earnings growth have diminished.

Yet there can be little mileage left in this argument. Any further advance will need to be justified by actual earnings growth. This is notoriously hard to predict. The devaluation should boost the income of companies which derive most of their earnings from abroad. Those which are active in the US may benefit additionally from recovery there – as well as further dollar appreciation. But expectations of an anaemic UK recovery suggest earnings growth may be confined to around 10 to 15 per cent this year.

Besides, low dividend cover will limit the beneficial impact of any earnings rise. And the earnings trend will be unusually hard to pin down, given the accounting changes now entering into force. The market may thus find itself relying heavily on trading statements accompanying annual results to sustain any new year rally.

The trouble is that there are plenty of other factors which could kill the advance. If the chancellor means what he says, there is unlikely to be another cut in rates in the first quarter, although base rates of 6 per cent are probably factored into equity prices. Further deterioration of the European economy – largely ignored by UK equities so far – will not help, though it might hasten interest rate cuts in Germany. Another concern is that the market's higher levels could provoke a spate of rights issues. This would add to worries about institutional cash-flow. Rights issues last year amounted to only £4bn against £10.3bn in 1991.

Government finance

By the time of the budget, attention may focus more strongly on the government finances. Not only may tax increases seem by then inevitable. The greatest test of 1993: its ability to compete against a gilt market in which the government will be raising £1bn a week. The received wisdom is that, since government borrowing needs exceed institutional cash-flow, gilt yields will have to rise to the point where domestic investors switch out of equities on a large-scale.

The theory is so neat and so beguiling that it must to some degree be suspect. Perhaps the government will, after all, decide to allow gilt sales to banks to be counted as funding the PSBR. Perhaps it will borrow foreign currencies abroad. Small savers may come to the rescue by switching out of building society accounts and into equity and gilt-linked investments. The recovery may be more rohust than expected and the PSBR correspondingly smaller.

None of these can count as sure predictions, but they are close enough to the realm of the possible to serve as a reminder that the funding problem need not turn out as dire as appears. Gilts and equity markets have been aware of the 1993-94 funding requirement since the Antumn Statement. Both have blithely ignored it so far.

Sterling underpinned

What does seem a reasonably safe assumption is that by next summer the UK's position relative to the rest of Europe will look very different. A recovery of sorts should be under way and interest rates should have bottomed out. There may even be expectations of a modest rise in rates which will underpin sterling in the exchange markets. The combination of recovery and currency stability may attract overseas money into UK equities and gilts, especially if the Bundesbank is grudging in its rate cuts and the continent remains mired in recession.

Even so, it would be foolish to assume that the government's funding requirement will not restrain the equity market next year. The thought also occurs that, in the absence of a vigorous recovery, the UK could easily follow the pattern set by Wall Street, which showed its strongest gains while interest rates were actually falling in late 1991. It has gained only modestly since.

If that points to only small gains for equities as a whole this year, the mood may swing violently at times, especially once the funding programme gets under way in earnest in the spring. The best returns may accrue to those nimble enough to move in and out of the market – and who, by luck or judgment, enjoy an impeccable sense of timing.

PM warns Serbia on eve of peace talks

By Anthony Robinson and Alison Smith in London

THE WARLORDS and political masters of the rival forces in the former Yugoslavia prepared for a new round of international peace talks in Geneva today against the beckground of sporadic small arms fire around Sarajevo.

The talks take place as international opinion hardens against Serbia.

There are also indications that Bosnian Moslem forces are preparing counter-attacks to dislodge Serb forces from their more exposed positions in the hills south of Sarajevo, the Bosnian capital.

Under pressure from Moslem forces, the Bosnian Serbs were again reported to have defied UN no-fly rules to re-supply troops.

This was implicitly admitted hy Mr Radovan Karadzic, the Bosnian Serb leader, who said he had issued orders to ground all fixed-wing aircraft hut wanted to continue using helicopters to ferry woonded from battle areas.

General Philippe Morillon, Commander of the UN protection Forces (Unprofor) in Bosnia, told a French radio station yesterday that he feared fighting could flare up in Sarajevo in an attempt to undermine the Geneva talks. He again called for e winter truce around the city, which has been besieged for months by Serh forces.

In London, Mr John Major, the British prime minister, warned the Serbs that the west was running out of patience with the lack of progress towards a settlement.

Speaking on BBC radio, he said sanctions might have to be both tightened and stepped up dramatically, and that the "complete and total diplomatic isolation of Serbia" might also have to be considered.

"Serbia should nnderstand very plainly the increasing impatience and despair felt in the west at the way they have been behaving," he said.

"Everyone to a certain extent is to blame for the present conflict but the primary blame beyond a doubt in our mind, lies with the Serbs.

"They are the principal cause of the present conflict and people are getting very impatient with that, not just us – the European Community collectively, the US and others as well. I do not believe they should push that impatience too far," he warned.

Kenyan opposition rejects election results

Continued from Page 1

Moi and Kann of "hijacking democrecy" and bringing the country to the brink of a crisis.

Among the electoral abuses they alleged against Kanu were widespread intimidation, massive fraud in counting and tallying votes, introduction of illegal ballot boxes stuffed with Kanu votes and the counting of opposition votes for Kann candidates.

It was clear that the opposition coalition was trying to hold back a possible eruption of violence following the announcement of results. However, although the parties refused to spell out their strategy, they were threatening to mohilise massive protest if their demands were not met.

"If we had not acted, the people of Kenya would already be in the streets," said Mr Matiba.

Results from 167 of the 188 constituencies announced by last night showed that Mr Moi had won the presidential race with 1,796,233 votes. Mr Matiba, with 1,228,870 votes, was in second place ahead of Mr Odinga and Mr Kibaki. In the parliamentary poll, out of 156 results declared Kanu had won 85 seats to the opposition's 71, lead by Ford-Asili and Ford-Kenya with 25 MPs each. Kanu must win 89 seats to give it a working majority.

Opposition officials pointed out that even in a rigged poll Mr Moi had only won 36 per cent of the presidential poll. In the parliamentary election, 15 of his cabinet ministers were defeated, including two of his most important "political barons", Mr Elijah Mwangale, former agriculture minister, and Mr Joseph Kamotho, the Kann secretary.

Mr Moi and Kanu had also been trounced in the heartland of Kenya's two biggest tribes, the Kikuyu and the Lno.

Major pledge

Continued from Page 1

British Rail, while insisting that the legislation would be passed by parliament this year.

Mr John Smith, the Labour leader, rejected Mr Major's sighting of increased economic confidence saying that the government still failed to appreciate that the fear of unemployment was the fundamental barrier to a restoration of confidence.

He recalled previous ministerial forecasts: "The Conservative party'e promises about economic recovery are the biggest devalued currency of our time."

CHIEF PRICE CHANGES ON THURSDAY

New York ($)			
Rises			
Citicorp	22¼	+	⅝
Horsham	8⅞	+	½
RJR Nabisco	8⅝	+	⅛
Westinghse Elec	13⅜	+	½
Falls			
Glaxo ADR	23¾	–	⅛
Merck	43½	–	½
Paris (FFrs)			
Rises			
Bongrain	3250	+	285
Pinault	309	+	14.1
Roussel	430	+	18
Falls			
Accor Ent	280.3	–	63.7
Imm de France	801	–	34
Paribas	345.5	–	13.5
Tokyo and Frankfurt closed.			
London (Pence)			
Rises			
Amersham Intl	619	+	17
Barry Wehmiller	198	+	9
Bilton	126	+	6
Boots	561	+	12
Cornwell Parker A	237	+	8
Devenongroup	135	+	7
Domino Printing	460	+	20
Eng China Clays	457	+	12
Epwin	179	+	11
Fisons	245	+	15
Granada	376	+	13
JIB Group	185	+	5
Pendragon	255	+	19
Porvair	179	+	8
Ramus	33	+	7
SmKl Beecham A	495	+	12
Triplex Lloyd	170	+	9
Walker Greenbank	73	+	5
Weir	606	+	11
Wetherspoon (JD)	225	+	10
Wilson Bowden	396	+	12
Falls			
Kwik Save	773	–	11
Ratners	12¾	–	2¼

World Weather

UK Today: Freezing fog will be slow to clear over central, southern end eastern England. The west and Wales will remain dry with clear or sunny intervals. Cloudy over Scotland and N.Ireland with early rain in many areas.

		°C	°F
Ajaccio	S	13	55
Algiers	S	14	57
Amsterdam	C	-1	30
Athens	R	9	48
Bahrain	C	15	59
Barcelona	S	7	45
Beijing	S	3	37
Belfast	F	8	46
Belgrade	Sn	-5	23
Berlin	S	-4	25
Biarritz	C	7	45
Birmingham	S	0	32
Blackpool	S	5	41
Bombay	S	32	90
Bordeaux	S	7	45
Boulogne	S	-2	28
Bristol	Fg	-1	30
Brussels	Fg	-4	25
Budapest	S	-4	25
Buenos Aires		–	–

		°C	°F
Cairo	S	21	70
Cape Town	S	24	75
Cardiff	Fg	-1	30
Chicago †	C	-13	9
Cologne	S	1	34
Copenhagen	S	1	34
Corfu	F	13	55
Dallas †	C	-1	30
Dublin	F	10	50
Dubrovnik	S	8	46
Edinburgh	C	9	48
Faro	S	13	55
Florence	S	8	46
Frankfurt	S	-1	30
Geneva	C	-1	30
Gibraltar	C	13	55
Glasgow	F	10	50
Guernsey	S	5	41
Helsinki	Sn	-1	30
Hong Kong		–	–
Innsbruck	C	-6	21

		°C	°F
Inverness	F	9	48
Isle of Man	C	8	46
Istanbul	R	4	39
Jersey	S	4	39
Johannesburg	T	20	68
Las Palmas	F	19	66
Leeds	S	3	37
Lisbon	S	8	46
Locarno	F	3	37
London	F	7	45
Los Angeles †	S	9	48
Luxembourg	S	-2	28
Madeira	C	16	61
Madrid	S	3	37
Majorca	S	13	55
Malaga	F	13	55
Malta	F	15	59
Manchester	S	4	39
Melbourne	S	29	84
Mexico City		–	–
Miami †	S	21	70

		°C	°F
Milan	S	1	34
Montreal †	Sn	-11	12
Moscow	C	-19	-2
Munich	S	-3	27
Nairobi		–	–
Naples	S	11	52
Nassau		–	–
Newcastle	S	5	41
New Delhi	S	25	77
New York †	C	6	43
Nice	S	11	52
Nicosia	F	15	59
Oporto	S	9	48
Oslo	C	2	36
Paris	C	-4	25
Perth	F	22	72
Prague	F	-5	23
Reykjavik	S	-4	25
Rhodes	F	14	57
Rio de Janeiro		–	–
Rome	C	11	52

		°C	°F
Salzburg	S	-4	25
S'Francisco †	R	13	55
Seoul	S	4	39
Singapore	F	29	84
Stockholm	C	1	34
Strasbourg	S	-3	27
Sydney	S	27	81
Tangier	F	16	61
Tel Aviv	S	16	61
Tenerife	S	20	68
Tokyo	S	10	50
Toronto †	S	-8	18
Tunis	C	15	59
Valencia	S	10	50
Vancouver †	S	-8	18
Venice	S	3	37
Vienna	F	-5	23
Warsaw	S	-7	19
Washington †	F	8	46
Wellington	S	16	61
Zurich	C	-5	23

Temperatures at midday yesterday † Noon GMT temperatures C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

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Weekend FT

SECTION II

Weekend January 2/January 3 1993

The men who make the markets: will the West's leaders bring inflation, reflation or more deflation to the world economy in 1993?

A new year — and new realities

Barry Riley predicts that there will be no easy ride in the securities market in his gloomy 1993 forecast

WE BEGIN 1993 with the bull market in UK equities now at a fairly mature stage. Since the end of September 1990, when prices bottomed amid Gulf war gloom and just ahead of the temporary euphoria of Britain's entry to the European exchange rate mechanism, the All-Share index has climbed by 42 per cent.

In the meanwhile, company profits have fallen and the British economy has shrunk by about three per cent. Now the global economy is in trouble too, especially in continental Europe where the internal problems of Germany are spilling over to the rest of the European Community and beyond.

There is nothing surprising about this euphoria amid the gloom. It is the way the cycle works. I can vividly remember the fuss 20 years ago on the day that the stock market hit a new high and unemployment simultaneously reached 1m. One day early this year, the same could easily happen except that the jobless figure will be 3m. But investors should be aware that by the time sarious economic recovery begins, the fun will probably be over for quite a long time.

Pension funds have been able to rule off 1992 with their portfolios — mostly of UK and overseas equities — showing an overall rate of return (capital growth plus income) of some 19 per cent for the year. Given a rise in their pay-linked liabilities of only five or six per ceot, they have emerged surprisingly well from a traumatic year.

However, the investment performance has been notably fragile, and has depended entirely upon the resurgence since the end of August when the markets began to anticipate the ERM capitulation. In four months, the All-Share index has jumped by a quarter.

A second point to bear in mind is that pension fund actuaries do oot take much notice of market values. They look at dividends, which actually fell by one per cent over 1992. The yield oo the All-Share has declined to 4.3 per cent against a long-run average of about five per cent. On this basis, the pension funds are not doing particularly well. Nor is there any chance at all that dividends will grow vigorously in 1993, because although company profits should recover somewhat, first priority will be given to restoring balance sheets and rebuilding dividend cover.

Conditions have been unusually favourable for equities in the UK during the past few months. Short-term interest rates have coma down sharply, and loog-term rates have eased too, partly because pressure from government gilt-edged sales has been temporarily redneced as a side-effect of the support for sterling in the run-up to Black Wednesday.

Despite soaring share prices, there has been almost no supply of shares through new issues. Pension fund managers have consequently been able to dive back into a limited pool of equities and push pricea up, which helps their performance and their fees but which, as I have pointed out, does not necessarily beoefit the pensioo schemes themselves. There is scope hare for a dangerous overvaluation of the UK equity market which arguably has begun to happen, with industrials selling on 17 times 1992 earnings, and might go further in the early part of 1993.

A new year will bring new realities, however. Surely a great many companies will seek to take advantage of the bull market by launching rights issues: the banking and insurance sectors alone could soak up billions if they can pluck up the nerve to ask their shareholders to pay for past blunders.

More importantly, the government's budget deficit looms above everything, with requirements for gross gilt sales likely to reach £1bn a week during 1993, and probably no less during 1994. Institutiooal cash flow runs at about £40bn, so there are obvious gaps, presumably to be filled by private investors or by foreigners.

There is little doubt that life insurance companies will divert most of their cash flow of £25bo a year to UK government securities. This had already started to happen by the third quarter of last year, when life offices bought £4.3bn of gilts. But peosion funds bought hardly any, and indeed they now have such a weak cash flow that they have little capacity to absorb gilts unless they make room in their £350bn portfolios by selling existing holdings of equities.

As a first step, they can sell overseas equities, which may be one reason why the UK market is becoming expensive by international standards. Later on, the fear of an eventual funding crunch could increasingly overhang the UK stock market, although any actual crisis is more likely to bappen to 1994 rather thao during the coming year.

To some extent, this general pattern was evident in the US in 1992, leading, in fact, to an almost complete stalemate in which bullish aod bearish forces were just about perfectly balanced on Wall Street. But that was something of a freak which is uolikely to be repeated in the UK. My central expectation is that share prices in Loodon will hit a high point early in 1993 and then be subject to increasing pressures, although it may still be possible to make money in recovery stocks and second-liners.

The problems will centre on one or two nasty moments as the Bank of England seeks to price its gilt-edged auctions. In the 1970s, in similar circumstances, the authorities resorted to interest rate manipulatioos in order to tempt investor to buy gilts at supposedly unrepeatable interest rates. This time around, the Grand Old Duke of York could possibly conduct his main manoeuvres in the foreign exchange market as the Bank of England endeavours to lure international investors into UK bonds, which they bave shunned since sterling was pulled out of the ERM.

A lot depends, of course, on the vigour of the British economy. A year ago, I thought most of the forecasters were too optimistic; this year, I am inclined to believe that, if anything, the short-term gloom is overdone, although that is not the same as saying that I am optimistic.

There bas been a substantial monetary stimulus, and money market interest rates may well be cut to six per cent by the spring. But a simple consumer-led recovery would quickly run into a brick wall in the foreign exchange market. Back in the early 1980s, we could spend and borrow our way out of the recession because there was a balance of payments surplus and the private sector carried no more than an average debt burden. This time, we are in a mucb deeper hole, and the recovery must be led by manufacturing or it will not be sustainable.

For the time being, the French and the Germans are doing the UK a favour by rendering their manufacturing sectors uncompetitive, and the renewed strength of the dollar is helping, too. But for this kind of UK recovery to happen, there needs to be a sharp rise in the domestic prices of manufactured goods.

Even in a deep recession, there are powerful inflationary forces in the British economy. Without inflation, it is hard to see any way out of the crisis in the housing market and, without inflation, it will be hugely expensive for the government to finance its borrowing binge. The temptation for the government to engineer another sterling depreciation will grow. But in those circumstances, investors might prefer to buy hard currency bonds instead of gilts.

We can get out of the ERM but we cannot avoid exchange rate disciplines. So do not expect an easy ride in the securities markets in 1993.

From Prussia with love

*New Year's Day in Berlin, a plot is hatched against sterling. **David Marsh** uncovers the truth*

SAVAGELY, Rathbone stamped his feet. The night was cold, growing colder. High above the Brandenburg Gate, the moon glowed hazily, casting an eggshell sheen across the clouds, as if a cosmic decorator had splattered a tin of white paint around the Berlin sky.

The second day of January was a crazy time to call a board meeting of the European Central Bank, Rathbone reflected fiercely. Bur then 2002 had been a crazy year. And crazy men were running European money these days. They talked of unity. Didn't they know everything was falling apart?

Rathbone gazed across the floodlit Reichstag square to the hulk of the bank headquarters. Central, the staff called it. Their chairman, Mercator von Stabil, had summoned the representatives of the 33 states making up European monetary union to Berlin.

Impatiently crushing his cigarette, Rathbone pondered the events of the past 12 months. As the Bank of England's accredited observer at Central, he had suffered a nerve-wracking time following the birth of the Euro-Mark at the Potsdam Convention. Central had moved into the old Reichsbank building. The Germans had chosen the shareholders. England was not among them. The Germans were, after all, paying most of the bills. And the costs were mounting.

Forging monetary union among the "Europe of 33" — streching to Ukraine and Königsberg, down to Bulgaria across to Wallonia and Flanders, and then south to Piedmont and Lombardy - bad proved more onerous tban expected.

Scotland, lured by the offer of Robert Burns's head on the smaller denomination notes, had decided to join, not loog after the 1999 Act of Disunioo. England had its consolation prize: observer status at Ceotral, thanks to its presidency of the *Zweitesonderleistungsuntergruppe*, the Zslugs, which consisted of other peripheral nations such as Wales, Albania, Molodova, Macedonia and Mezzogiorno.

Rathbone had moved to Berlin a year ago. In London, the Bank of England, now independent, was shedding staff. Better a bard currency posting on Berlin Station than fresh uncertainty in the City, his wife had said. A few weeks later, she had left him for the Citibank options merchant with the liquid crystal signet ring. With a spasm of anger, Rathbone recalled her parting jibe. "Once a field man, always a field man."

■ ■ ■ ■

Rathbone scanned his miniaturised range-forward directory. At Threadoeedle Academy, he had learned his trade well. Stealth. Intrigue. The long years in Signals and Targeting; the cover-up techniques in Supervision.

He gripped his official pass, allowing him through the Ceotral guardpost. Ha had access to the Data Rooms. He could even attend lower-grade meetings, where von Stabil and the others regarded him with the amused condesceosion the English used to reserve for their butlers.

Rathbone's chief adversary was Gustav d'Exchange, the French managing director, who dyed his hair and dropped puns from the corner of his mouth.

He did not need their sympathy. He had his wire taps. The infra-red sensors, linked to the high-powered battery in his Jag. The network of microfilm drops in no-man's-land. And then there was Sum. Rathbone's mouth moistened at the thought of her.

The governor of the Bank of Estonia, a member of the Central board. He had once asked Control, should he call her governess? Sum Fluuctuatin had won acclaim for her currency model work at Tallinn. She liked Englishmen. Especially, thin ones with a wounded look in their eyes. Who used to admire the deft and elegant way she would slip into a more comfortable parity.

Sum's office on Central's executive suite shared a connecting door with von Stabil's. Rathbone smiled mirthlessly. His secret — and bers. Control knew more about what went oo at Ceotral than its owo shareholders. It was almost as if England had opted for monetary union after all.

■ ■ ■

Dawn crawled through the city's snow-covered towers and rooftops. Rathbone watched the fleet of Mercedes drawing up outside Central. He counted to 33. Then be moved fast, sheltered between the lumbering Diskontsatz, the governor of the Bank of Slovakia, and old O'Flynn from the Vatican Bank. The delegations jostled through the portals up to the sixth floor boardroom. A huge chamber like a brightly-lit car park, hung with coloured blodges of modern painting. Rathbone squeezed into one of the individually-tiled marble lavatories, where governors were often closetted.

Rathbone gasped. into the boardroom strolled a figure never before indicated on Sum's computer lists: Rodney Slyde, the chief executive of the Bank of England! Dimly, Rathbone could recall the old pre-independence governors: noble characters of lordly bearing.

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CONTENTS

London

Recovery is not business as usual

By Peter Martin, Financial Editor

THE CHART alongside may hold the key to the stock market's performance in 1993. It shows the ratio of M4, the broadest measure of the money supply, to GDP.

Over most of the past 12 years, the ratio has been rising steadily. For every pound of GDP, people have been holding an ever-higher amount of money in M4's cash, bank and building society accounts. The upward trend has levelled off over the last couple of years, *but the UK is still awash with liquidity.*

The Treasury argues that the steedy upward trend simply reflects the rising wealth of UK households. The flattening in the ratio over the past two years echoes the damage done to wealth by the recession. Once that is past, the upward trend will continue.

If that is so, there is little implication for the stock market. But consider what might happen if the public's holdings of liquid funds represent not merely a side-effect of increasing wealth but also a judgment about relative rates of return.

For much of the past decade, nominal interest rates on passbook accounts have been comfortingly high. For the past few years, indeed, the funds that make up the bulk of M4 have produced extremely attractive real rates of return.

Since Britain left the ERM in September, toterest rates have fallen sharply. They are likely *to fall further in the new year.*

What will savers do with their money as building society accounts no longer look so attractive? A similar – though deeper – cut in interest rates in the US led to a flood of retail investors' money into the stock market, helping to push it to new heights.

UK interest rates are unlikely to drop as far as those in the US. And Britain does not have the same number of aggressive independent stockmarket investors. But it does have a large and imaginative collective investment industry, skilled at channelling the public'e savings into the most appropriate market.

A strong start to the year for equities, building on the 129-point rise in tha FT-SE 100 index eince mid-Decembar, might make this task easier, rekindling public enthusiasm for ehares for the first time since the 1987 Crash.

Even if retail investors still steer clear of equities, bowever, a shift in their portfolios might influence the stock market in a less direct way.

Tbe post-Septembar steepness of the yield curve – which rises from roughly 5 per cent interest rates on short-term retail deposits to an 8¼ per cent yield on long-term gilts – allows individual investors to obtain higher returns by moving along the curve.

If they do so in large numbers – either by buying gilts themselves or, more plausibly, by buying insurance industry products backed by gilts – the huge scale of the government's borrowing requirement for next year will become much less threatening, to the equity market'e benefit.

Sncb financial considerations apart, the equity market in the New Year is likely to be dominated by the outlook for the economy. The current level of share prices – with the FT-Actuaries industrials selling at 17 times reported earnings – reflects the consensus that a slow, stuttering, recovery from recession is under way.

In the last couple of weeks of 1992, however, hopee have spread that the recovery may prove brisker than expected. The strong performance of the new FT-SE Mid 250 index, which contains the mid-sized companies that rank just below tbe FT-SE 100, reflects this view.

Typical Mid 250 companies are more focused on UK domestic markets than their larger cousins; and the index also contains many companies from the capital goods and construction supplies industries.

The Mid 250 index as a whole outperformed the FT-SE 100 by 6½ per cent in December, thanks to strong performances by such companies as Tiphook (up 30 per cent on the month); Shanks & McEwan and T&N (both up 25 per cent); BICC (up 24 per cent) and Marley (up 23 per cent).

The optimism these movements reflect was reinforced by consumers' enthusiastic shopping in the days just before and just after Christmas. Share prices of stores rose six per cent in the last two weeks of the year, putting them on a p/e ratio of 21, a figure that is clearly already discounting good sales in 1993.

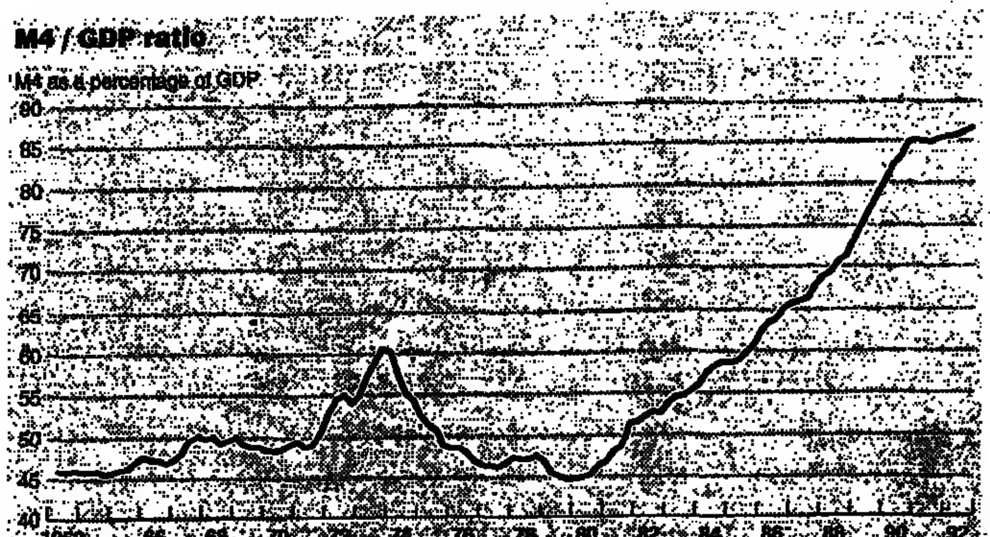
As the old year ended, it was left to the stores' more glamorous consins, the food retailers, to underline that the recovery will not simply be a return to pre-recession business-as-usual.

During the three years or so of depressed economic activity, the world has not stood still. Cost structures have been altered, new capacity has been brought into use, competitive relationships have changed.

This *is* most obviously true for those companies faced with overseas competition, for whom the EC'e single market ushers in new challenges. But it is also true for the gilded giants of food retailing, despite their relative immunity to rivals from abroad.

The stock market's growing unease about how long the supermarkets will be able to combine rapid growth and high margins showed up in a – perhaps exaggerated – reaction to soma small-scale price cuts by the big chains, pulling the sector down 3.6 per cent on Wednesday.

At the end of the year's trading, the market was valuing supermarkets – on a dividend yield of 3.12 per cent – less generously than stores (3.11 per cent), something that has happened on only two other days in the past five years. In this and other ways, the recovery is likely to be no respecter of formerly comfortable certainties.



Source: Datastream, Bank of England

HOW SHARES HAVE MOVED

The following table shows the percentage movement in the FT Ordinary share index and its constituents during 1992. The FT-SE 100, FT-SE Mid 250, FT-SE-A 350 and the FT-A All-Share indices are also shown.

	Price on Dec. 31	% change on year	1992 High	1992 Low		Price on Dec. 31	% change on year	1992 High	1992 Low
FT-SE 100 Index	2846.5	+14.2	2847.8	2281.0	Forte	188	-19.3	282	112
FT-SE Mid 250	2982.9	+21.1	2982.9	2167.5	GEC	283½	+41.2	286	183
FT-SE-A 350	1288.6	+15.6	1288.9	1102.1	GKN	446	+51.4	448	281
FT-A All-Share	1363.79	+14.8	1363.97	1086.13	Glaxo	792	-7.6	942	632
FT Ordinary	2188.3	+15.6	2185.2	1670.0	Grand Met	482	+5.4*	516	360
ASDA	56	+62.3	63	22½	Guinness	616	+1.6	644	471
Allied-Lyons	643	+3.9	712	526	Hanson	233½	+16.8	244½	184½
BICC	353	+21.7*	360	207	ICI	1050	-12.6	1410	975
BOC	766	+26.6	774	663	Lucas Inds.	152	+14.6	158	77
BP	248½	-15.2	304	192	Marks & Spencer	329½	+18.3	346	268
BT	403½	+22.8	418½	305	Midland Bank	404½	+46.0	422	251
BTR	550	+40.3*	554	381	P & O Defd.	504½	+17.9	586	296½
Blue Circle Inds	199	-4.8*	284½	121	Reuters	1488	+36.3	1420	962
Boots	561	+30.5	571	398	Royal Insce	258	+11.7	294	118
British Airways	306½	+33.0	318	219	SmithKline Beecham A	496	+10.7*	560	396½
British Gas	291½	+10.0	291½	223	Tate & Lyle	406	+0.8	446	285
Cadbury Schw.	444	+3.0	499	412	Thorn EMI	861	+26.2*	868	633
Courtaulds	596	+17.6	618	371	*Adjusted for capital change.				

Serious Money

Lines from the rich and famous

***Philip Coggan**, Personal Finance Editor, discovers some pointers for the economic year ahead*

A SMALL hole recently opened in the space-time continuum and a sheaf of letters dropped from the future into the FT's files.

Our crack team of reporters are not quite sure who the letters are from, but careful analysis may provide some clues about the economic prospects for 1993.

Dear Bill

Glad you've forgiven me about the passport thing. I'm sure we can re-establish that special relationship. Given your time at Oxford, I'm certain, like me, you have developed a passion for cricket and Happy Eaters. And we're both quite considerably fond of Chelsea (joke). Indeed now that we've cut interest rates to 3 per cent and the pound is worth one dollar, it's almost as if we're one country again.

Hope to see to you soon and you're welcome to look in our files on Dan Quayle any time (only kidding).

Yours, John

Dear Helmut,

Will you please pass on to Herr Schlesinger our grateful thanks for the one-eighth of a percentage point cut in interest rates which the Bundesbank announced last week? I'm sure it will be invaluable in stimulating our economy, and a great help when it comes to our Parliamentary elections in May. Not! (as the stars of Wayne's World would say).

Yours, François

PS Sorry about our farmers setting fire to the Frankfurter and beer trucks.

Dear François,

Schlesinger Schmesinger. All that guy thinks about is the money supply.

Maybe if you sent some of your farmers to blockade Frankfurt, he might see sense. Instead he keeps droning on about the cost of reunification. You don't know anyone who wants to buy a small, former Communist country on the cheap, do you?

Yours, Helmut

Dear (insert name of foreign leader),

Thanks very much for your congratulations on my election. I am afraid I will not be able to visit your country until I need to look statesmanlike/ the US economy recovers/1997. But in the meantime, I hope to arrange a high level delegation led by Al Gore/Hillary/Socks the Cat.*If* you really want to help, we would be very grateful if you cut your interest rates/cut your tariffs/bought some GM cars. As a gesture of goodwill, I therefore include tickets to Disneyland/tickets to my next saxophona concert/e grits recipe.

Yours, Bill

NB. Could the State Department delete where applicable?

Dear M Delors,

Good news about the Maastricht vote. Parliament approved everything, subject to a few more minor opt-out clauses. Like the Common Agricultural Policy (just kidding).

Yours, John

PS Have you tried Bill's grits recipe? Tastes considerably good with chips and peas.

Dear Bill,

Sorry about the mistake with Hillary. My eyesight is fading these days and I thought she was... anyway, tell her she has an even better right hook than Edith Cresson.

In any case, now the Bundesbank has lowered its interest rates at last, the strains on the ERM might lift. It's a pity there'e only two currencies left in it.

Yours, François

PS Also sorry about what the farmers did to Eurodisney. Apparently, it can be fumigated in a few weeks.

Dear Norman,

Sorry about the cabinet reshuffle. It was time for a change and I wanted to move in some new faces. I am sure you will rise to the challenges of the Northern Ireland office.

Yours, John

Dear M Mitterrand,

We have an old saying in Arkansas: "Don't enter the pigsty unless you're ready to trade pork bellies." We had a good laugh when we heard about what your farmers did to Eurodisney and an even bigger laugh when Congress passed the "Goods from France (Large Tariffs) Act". Enjoy yonr recession.

Yours, Bill

Dear Helmut

Oh dear! Now that the trade war with the US and the lingering effects of the Bundesbank's policies last year have sent the whole of Europe into recession, it seems that the Anglo-Saxon economies are the only ones which will grow this year. If you need any tips on how to run a successful economic policy, don't hesitate to call.

But I am really writing to put your mind at rest. I can categorically deny the reports in the British press which claim that we will be leaving the European Community and applying for England, Scotland and Wales to be the 51st, 52nd and 53rd states of the union. Oh no.

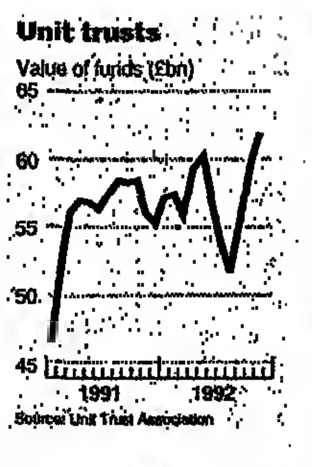
Yours, John

Dear Bill

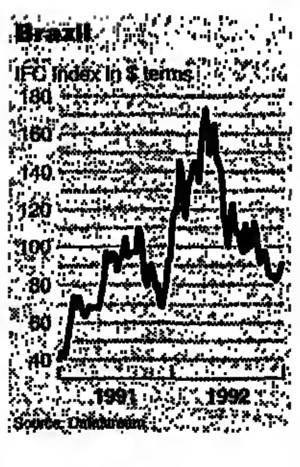
All the terms seem OK with us. But can you remind me what comes after: "Oh say, can you see, by the dawn's early light"?

Yours, John

AT A GLANCE



Source: Unit Trust Association



Source: Datastream

Unit trust funds rise to all-time high in November

Unit trust funds under management rose to an all-time high at £61.95bn in November, according to the Unit Trust Association. Net inflow, at £258m, was the highest for any single month since September 1991 – and it scarcely seems coincidental that the Building Societies Association reported a net outflow of £164m for the same month. Lower interest rates are forcing savers to look around for the best retes.

Cash and fixed interest unit trusts, not traditionally high sellers, accounted for most of the inflow of funds. These attracted a gross £820m and accounted for half of total net sales in the 11 months to the end of November. Growth in funds under management in fixed interest sectors has been startling – according to the UTA, money market funds under management rose by 47.5 per cent, international fixed interest by 71 per cent, and UK gilts and fixed interest by 23 per cent in the year to November.

Resignation boosts shares

Brazilian shares moved up in the week that beleaguered president Fernando Collor de Mello resigned. Politics has bedevilled the stock market which began its slide in May when Collor's brother accused him of corruption. The political crisis continued with a parliamentary inquiry and an impeachment debate. The market has lost nearly half its dollar value since its peak in April, according to emerging markets data provided by the IFC, part of the World Bank.

The political crisis brought to an end a bullish run which saw the market more than quadruple between January 1991 and April 1992. Share prices had been pushed higher as foreign institutions were allowed to operate directly in the market and other positive steps, such as tax reform and privatisation, occurred.

Discount offer on investments

Mercury Asset Management is offering a 1 per cent discount on investments in two of its unit trusts – Income and British Blue Chip – which it has selected as core Personal Equity Plans for the 1992-93 tax year. Those who invest the full £6,000 in one of the Peps will receive 600 free Air Miles. Initial charge on the Peps is 4 per cent and the annual charge is 1.5 per cent.

Small companies disappoint in '92

"A year of frustration and disappointment" is how analyst John Houlihan of Hoare Govett describes 1992, after small company *shares underperformed for the fourth consecutive year.* However, at least, small capitalisation stocks rallied over Christmas. The Hoare Govett index (capital gains version) rose 5.3 per cent from 1147.06 to 1208.87 between December 17 and December 30, while the County index climbed 5.5 per cent from 884.2 to 932.86 over the same period.

New fund watching service

A new service is being provided by Boyton Financial Services. *Fund Watch* is a fortnightly publication which will detail charges, discounts and commission on new unit trusts, investment trusts, pensions, Peps and other investments. The service costs £90 per annum, and is available by post or fax from: Boyton Financial Services, PO Box 14, Halstead, Essex. CO9 4BY. Tel: 0787-61919.

Wall Street

Into the New Year in an uncertain mood

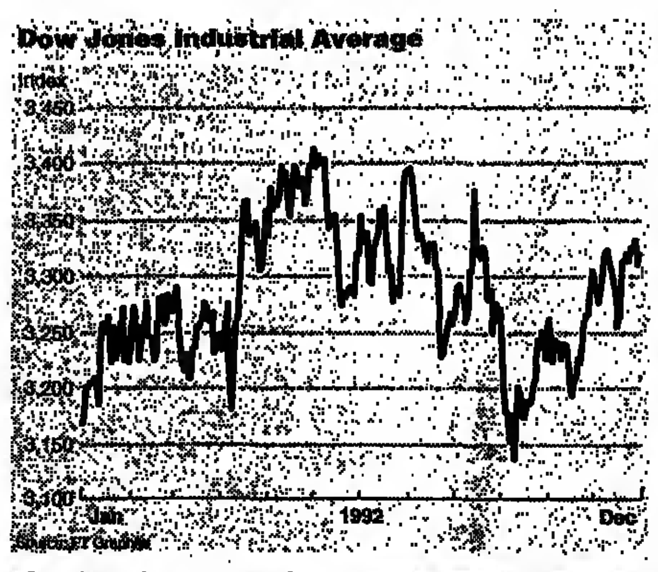
BY THURSDAY teatime, with several hours of the old year left, Manhattan's Times Squars was already resounding to the blare of trumpets and gaudy rattles: 1993, it seemed, could not come fast enough.

Wall Street investors know the feeling well. For much of 1992, their sights have been fixed firmly on what the next 12 months may bring. There is, of course, nothing unusual about stockmarkets anticipating the future. But, the presidential election, dominated by its cries of change and transition, and the turning-point reached in the domestic economic cycle, have given investors a fixation with tomorrow's joys, obscuring the drearier realities of today.

The final week of the year ran true to form. On the positive side, a raft of year-end economic indicators provided further hints thet the economy may be pulling out of recession with some alacrity. The consumer confidence index published by the New York-basad Conference Board climbed 12.7 points during December to 78.3, for example. This follows an 11-point gain in November, and represents the highest level scored for ona and a half years. (The benchmark 100-point level was set in 1985, and a strong economy tends to register a figure in the upper 80s).

Sales of existing homes were also shown to have reached their highest monthly level for six years in November. This was quickly interpreted as a signal that consumers are more optimistic about future prosperity and job security – although, apparently, also worried that interest rates are set to rise. Meanwhile, the main yardstick of future economic activity – ths Commerce Department's index of leading economic indicators – showed a 0.8 per cent rise for November, tbe biggcst monthly advance since last January.

Glimpses into the future, however, were not universally positive. This spate of encouraging economic data failed to translate into a traditional year-end rally on Wall Street, largely because investors were also trying to anticipate the tax changes which may take effect in 1993. The Clinton sdministration, runs the thinking, will almost certainly increase the income tax burden on high-earning individuals. Accordingly, such investors had every incentive to lock into stockmarket profits before 1992 ended.



Source: Datastream

Tax-centred concerns have already led to the early payments of bonuses by some Wall Street investment firms. Last week, these told on share prices, as dealers reported confusing "cross-currents" in trading activity. Some investment clients, they suggested, were still buying on the economic news, but others were busily selling on tax fears.

The two trends seemed to balance out and the Dow Jones Industrial Average yo-yoed to the year's end – down a little at the start of the week, up a little on Wednesday and Thursday, and then down sharply in 1992's final half-hour of trading as computer-ised programme selling engulfed an otherwise moribund market.

Still, even if short-term influences were mixed, the extent to which US investors have been pinning their hopes – and their dollars – on 1993 were evident when figures for mutual fund investment were published mid-week. These showed a massive $9.9bn flowing into share-based funds in November, way in excess of the previous monthly record of $7.5bn. As a result, equity-oriented mutual funds have now pulled in a staggering $68.6bn from investors in the first 11 months of 1992, almost double the figure seen in the same period of 1991.

In one respect at least, investors' taste for equities and mounting optimism over the economy, is irrefutably beneficial. Quite simply, it has helped soak up equally unprecedented outflows from the corporate sector. Corporate share and debt-related issues also rose to unprecedented levels last year – over $800bn-worth of underwritten issues in the domestic market, according to one calculation – as companies restructured their balance sheets and took advantage of low interest rates.

But will the reality of 1993 live up to the hopes? As analysts at S G Warburg have pointed out, some of the more superficial portents are not good. For a start, the year ends in a three – and statistically, over the past 100 years, this ranks eighth out of the 10 choices. Secondly, a new president will be in the White House, and post-election years have a tendency to produce uninspiring stockmarket performance.

But down in Times Square, such qualms were speedily being put to rest. "Happy New Year," yelled a partying crowd, with a message which was simple and would have cheered Wall Street's heart. Let the good times roll.

Nikki Tait

Monday	3333.26	+	7.02
Tuesday	3310.84	–	22.42
Wednesday	3321.1	+	10.26
Thursday	3301.11	–	19.99
Friday	Market closed		

The Bottom Line

Between the lines at Pentos

PENTOS shares plunged to a seven-year low this week after Terry Maher's specialist retail and office furniture group broke with tradition and delivered a profits warning instead of a seasonal message of good cheer.

In the last two decades, Maher has transformed Pentos into an aggressive high street retailer whose outlets include the booksellers Dillons and Hatchards, Ryman the stationers, Wilding office equipment and Athena Galleries, which sells posters and prints.

Although Pentos is perhaps best known for its opposition to the price controls of the Net Book Agreement, the source of shareholder grief this week had little to do with the group's rapid expansion, or book pricing policy.

Dillons, including Hatchards, which was acquired two years ago, accounts for around 60 per cent of group operating profits, and remains the pride of the Pentos group.

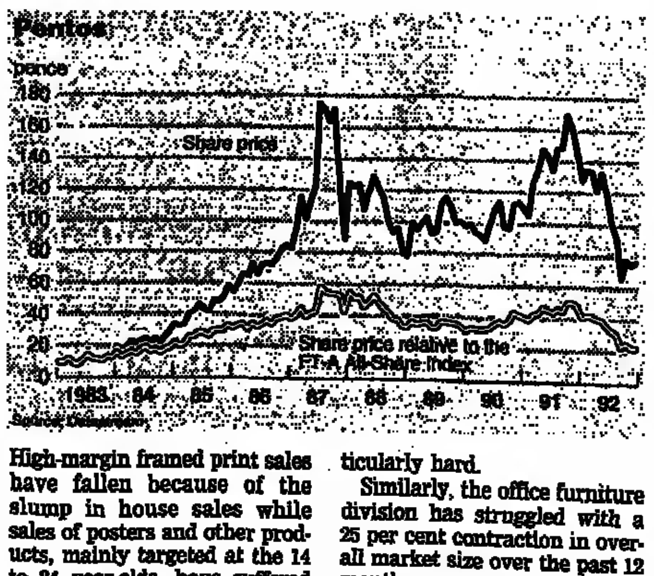
Its branches have been equipped with modern electronics and it now ranks as the second largest bookseller in the UK with a 12 per cent market share and a target of 15 per cent by 1994.

In contrast, Ryman has been a relatively disappointing performer since its acquisition in 1987. Turnover in 1991 was £27.8m and sales in 1992 are expected to show meagre one per cent growth.

Overall, Pentos' pre-tax profits for the year which ended on Thursday are set to drop by two-thirds to about £5m because of poor Christmas sales at Athena, a fourth-quarter slump in office furniture orders, and a clutch of exceptional costs.

Sales at Athena are particularly disappointing. The business is highly seasonal, and its relatively high fixed costs and gross margins make it more than usually sensitive to changes in sales volumes.

Sales have been hit at both ends of tbe product range. High-margin framed print sales have fallen because of the slump in house sales while sales of posters and other products, mainly targeted at the 14 to 24 year-olds, have suffered because of demographic changes and unemployment which has hit this group particularly hard.



Source: Datastream

Similarly, the office furniture division has struggled with a 25 per cent contraction in overall market size over the past 12 months.

Pentos is reducing overheads by £2m a year in the furniture business and by £1m a year at Athena. However, £2m in reorganisation and other "cleaning-up" costs imposed by Clive Gregory, who returned to Pentos in October as finance director after a 10-year break, and a £1.5m provision to cover surplus property costs at Hatchards, will be treated as exceptional items.

The share price has fallen from a peak of 170p in October 1991 to 59p at the close on Thursday. Arguably, Pentos was a recovery stock bid up too soon, but the price may also be reflecting other anxieties. In particular, the group has adopted a curious approach towards reverse premiums – the up-front sweeteners given when taking up a lease. The 1990 profits were restated (downwards) as a result of a change in the group's accounting methods for these premiums, which are now spread over two accounting periods instead of the old *method of one year.*

Another worry is that year-end net borrowings are likely to show a £28m increase to about £48m, producing uncomfortably high gearing of 50 per cent. However, capital expenditure and investment should both be lower in 1993 and Pentos should generate cash for the first time in three years.

At some stage, it might also make sense for Pentos to offload the office furniture business. This would enable the group to focus exclusively on specialist retailing – particularly important if e booksellers' price war ever breaks out.

Pentos has invested aggressively to build market share while reducing its cost base. If consumer spending were to increase, it would produce a rapid and substantial increase in profitability. Even without an economic upturn, the group's underlying performance should be improved by the latest round of cost cutting. The stock may well have been oversold.

Paul Taylor

FINANCE AND THE FAMILY

New Year resolutions worth sticking to

*Looking for sensible investment advice? **Scheherazade Daneshkhu** talks to financial advisers about opportunities for the year ahead*

THE QUEEN'S annus horribilis was shared by many last year, not least by investors who found their options narrowing as the year progressed. The drop in base rates, changes to National Savings and the sluggish performance of equities made investment hard work.

It does not look any easier this year. But this is why New Year resolutions should be made and adhered to. We asked a number of financial advisers which resolutions would top their list for the New Year.

■ **Wills and Inheritance Tax**
Just in case this is your last year, Mark Bolland, of fee-based advisers Chamberlain de Broe, urges those without a will to write one: "From this starting point individuals and couples can go on to wider areas of estate and inheritance tax planning. Clearly, given the state of the economy at the moment and the level of the PSBR, the government is likely to raise taxes. I would have thought it rather unlikely therefore, that IHT – comparatively small though the receipts may be – will be significantly reduced."

People should also resolve to do something about their IHT liability, says David Harris, of Chantrey Financial Services, by making use of the annual £3,000 exemption and using the small gifts exemption – up to £250 to as many people as you like.

■ Money on Deposit
David Harris says savers should resolve this year not to keep all their investments on bank or building society deposits now that interest rates have dropped substantially, but should check alternatives. They should take advantage of the maximum investment allowable into the current National Savings issues and pay their next instalment – £1,800 – to their tax exempt special savings account in the New Year.

Colin Jackson, of Baronworth investment services, advises those in a 90-day bank or building society account to give notice and get out. "The advantage of a 90-day account (interest-wise) is now fairly minimal," he says. "I anticipate that in the coming year there will be some new investment products being launched. Those people who have their money tied up in a 90-day account will either have to miss out on an investment opportunity or lose interest by withdrawing their money without giving the appropriate notice."

■ Personal Equity Plans
Resolve to look at the performance of your Pep if you have one says Harris, and look also at the level of charges, administration and strength of the company, adds Jackson: "Peps are often sold to people who really do not need them as their tax position is such that the tax free benefits of a Pep would not apply. For those people there is no reason why they should pay the higher charges incurred by investing through a Pep." He reminds those who need a Pep to take one out before the end of the tax year on April 5.

■ Investment Strategies
Robert Noble-Warren, of fee based advisers Murray Noble, says those with cash should be open minded about investment strategies. Instead of considering UK equities only, "an alternative strategy is to have higher holdings of cash and fixed interest, to invest much less than one would normally in UK shares and take a small highly speculative holding in emerging markets such as South China and Mexico," says Noble.

■ *Life Insurance*
Most people in the UK are underinsured and Harris says people should resolve to check to see whether their life insurance arrangements are adequate. He says investors should keep their wits about them and resolve "to differentiate between life insurance for protection and other products that purport to be investment plans but are life assurance by any other name."

■ Retirement and pensions
All advisers urge readers to make a resolution that they will no longer put off retirement planning. Harris and Jackson remind those in an occupational pension scheme to maximise their contributions for the year (up to 15 per cent of net relevant earnings subject to the pensions cap). Harris says policy holders should check the value of their pension arrangements and, if the policy holder is contracted out of Serps, to see whether proper rebates have been applied to a personal pension plan.

Jackson thinks those who are contracted out should reconsider their decision, particularly if they are men over the age of 45 or women over 40. He reminds higher rate taxpayers to consider picking up unused pension relief for the past six years and paying a single premium before April 5. "The tax inspector will give you relief in the current year initially at your highest rate of tax. However, you can put in an election (not later than July 5 1993) to carry back the relief to the year ended April 5 1992, if this is more tax efficient," he says.

Retirement may become a more risky business, warns Noble. Employers are moving to money purchase schemes since these are cheaper than final salary schemes. The reduction in interest rates means that a smaller pension will be bought with the accumulated pension fund than in recent years, state pension benefits are likely to be reduced and pension funds can expect lower growth from equities than they experienced in the 1970s and 80s. Pension contracts are being sold on growth rates allowed by Lautro, the regulator for the insurance industry, but Noble believes these estimates are too optimistic. He says, therefore, it is important to take impartial advice.

■ Mortgages
Harris would like homeowners to check whether their lender has dropped its rate in line with others and consider whether a fixed rate might not be more suitable while interest rates are still historically low.

■ *Guaranteed Bonds*
Jackson believes investors should steer clear of guaranteed bonds for the time being as rates are low. He also warns investors there are a number of products on the market promising "guaranteed" returns while the small print reveals they do no such thing.

■ Business Expansion Scheme
The BES – which allows investors tax relief at their highest rate on up to £40,000 invested in a qualifying scheme – will be abolished at the end of the year. Chamberlain de Broe's Alan Greening reminds investors who have not subscribed in the 1992-93 tax year they have an allowance of £80,000 to invest – £40,000 before April 5 and another £40,000 after that date.

"Many advisers who would in the past have been wary about using BES investments for anything other than a small part of someone's portfolio, are now using them as the basis for secure growth (over 10 per cent compound for five years), allowing other more speculative investments to be chosen alongside to provide the high levels of income no longer seen in building society or fixed interest investments," said Greening, who believes the majority of current BES issues have become secure investments.

Last year a new type of scheme – "non-status, non recourse loan" emerged and have added flexibility to the tax-efficiency of BES investments for higher rate taxpayers, according to Greening. These schemes grant tax relief about six months after the original investment is made. The investor is then offered a non-recourse loan of between 72 per cent and 76 per cent of their original gross investment. "It is now possible to secure £8,480 tax relief from one £10,000 investment, by taking one investment for £10,000 now, taking a loan-back after six months (£11,200 including £4,000 tax relief), and reinvesting the proceeds in a BES for five years – thereby securing another £4,480 worth of tax relief," said Greening.

While the BES is now much safer than it used to be, Chantrey's Harris advises potential investors to take advice before committing themselves. He also warns that since a great deal of demand is expected of these schemes, potential investors need to be prepared to act quickly to take advantage of any offers.

■ Financial Advice
Jackson says people should ask their financial adviser how much commission they are earning and whether they will share it with them. Bolland and Noble, both fee-based advisers, urge people to move to fee-based advice for impartial financial planning.

Early start for BES season

THE 1993 Business Expansion Scheme season seems to have started in 1992.

BESSA Plus (Second Series), launched last week, is a scheme sponsored by Close Brothers and backed by TSB Bank, which will buy repossessed properties from Hill Samuel Mortgage Services and let them for five years.

Its crucial extra ingredient, on top of the guarantee from a high street bank, is the "non-recourse loan". This allows top-rate taxpayers effectively to realise their investment after only six months – note that it is irrelevant for basic rate payers.

For every £1 invested (60p after tax for top-rate payers), Hill Samuel will lend 72p to investors after six months. Investors can choose to continue for five years, but Hill Samuel is obliged to make the loans available.

The loans are "non-recourse", which means they are secured only against the BES shares themselves – Hill Samuel has no right to pursue investors for any other part of their assets.

Similar schemes linked to the Bank of Scotland and the Bank of Ireland sold out within a week of becoming available, and it looks as though it will be difficult for those not already on Close Brothers' mailing list to invest in the current offer – total capacity is £8.5m, and £3.5m had been taken by New Year's Eve, when the offer had only been open for two days.

A similar scheme sponsored by Capital Ventures in conjunction with Cambridge University also seems likely to be fully subscribed soon.

Would these schemes would be worth holding on to for the full five years? Falling base rates have cut sharply into the returns on offer, and TSB is offering only £1.08 after five years for every £1 before tax spent now. In 1991, offers of £1.35 for every £1.00 were common, although they did not have the security of bank backing.

Anthony Yadgaroff, of Allenbridge Group, suggests that current offers should only be taken up by those who want to take advantage of six-month loans. This will allow them to reinvest in the BES before the scheme is abolished at the end of this year.

The budget, due in March, must put some question marks over the future of this type scheme, as the low risks and high returns available to top-rate taxpayers seem out of line with the government's original intentions. However, the crop of schemes is taking repossessed housing out of the property market, removing a downward pressure on prices, so sponsors are hopeful that the schemes will survive.

Banks and building societies – which are yet to get heavily involved with the BES – benefit by removing large amounts of bad debt from their balance sheets, so supply is likely to continue. Several sponsors are also working on issues to fund university accommodation, which lack bank guarantees and loans, but may offer a higher return over five years.

John Authers

Expatriates/**Donald Elkin**

Prevent costly mistakes

EXPATRIATES are generally viewed as people who earn more and save more than their stay-at-home compatriots. And that is often true.

But expatriates tend to work hard as well. Perhaps one result of this is that some fail to give sufficient time to their own finances. Whatever the reason, expatriate finance specialists regularly see evidence of the same mistakes being repeated.

For a prosperous 1993 – and beyond – check that you are avoiding the following slips:

■ Overlooking the different residence status of spouses. For example: wives often become UK tax residents by visiting the country when accommodation is available for their occupation (unless they have full-time jobs in which all the duties are performed overseas). Such a status could result in UK tax liability on overseas income and gains (including half shares of joint holdings). But it can give rise to opportunities too, for example the ability to invest in personal equity plans.

■ Failing to appreciate that accepting a UK directorship can give rise to similar results, even in the case of those who are in full time work. However, liability to tax on an overseas salary is prevented by the operation of the "foreign earnings deduction". Aircrew, couriers and others who perform "duties of substance" in the UK are similarly at risk.

■ Assuming that UK interest paid to you without deduction of tax is tax exempt. Payment gross is an administrative procedure which does not apply in broken tax years, those of departure or return to the UK.

■ Ceasing to pay UK National Insurance contributions on going overseas. In most cases, this is a mistake. Voluntary Class 3 contributions, costing £263 per annum, can give rise to an effectively index-linked pension of £2,815 per year plus, in the case of a married man, a further £1,962 p.a. for his non-contributing wife.

Remember that "complex" is usually synonymous with "expensive"

■ Supposing that inheritance tax does not apply to assets earned and situated overseas? This treatment is only available to those who are not domiciled in the countries which make up the UK, as a result of having left Britain permanently.

■ Overlooking local testamentary considerations when acquiring real estate abroad. Often it will be desirable to make a will in the country concerned. Even more importantly, you may find that local laws restrict your freedom to decide the disposition of assets on your death.

■ Assuming that a UK property acquired after the date of your original departure from the UK, will qualify as your principal private residence for CGT purposes, purely because it is the only property you own. For there to be any possibility of such qualification, you or your spouse would need to live in it for, say, three months after acquisition and also to resume residence there when your period overseas has ended.

■ Convincing yourself that "no-one will know" is a suitable basis for tax planning. Skeletons in cupboards have a habit of rattling at awkward moments.

■ *Assuming* that complex solutions are inevitably superior to straightforward ones. Before investing in insurance-linked arrangements, ask yourself whether a direct investment will suffice. Before effecting a trust, ask if it is essential. Both types of vehicle have important parts to play in the field of tax planning. But both are frequently unnecessary. Remember that "complex" is usually synonymous with "expensive".

■ Entering into long-term investment arrangements against a background of future uncertainty. How many people would answer in the affirmative the question, "Is it a good idea to take on a ten year investment commitment when you have job security for only three years?" But expatriates frequently do it.

■ Attaching undue weight to the taxation treatment of any investment plan. Taxation *is* important. But the most brilliant tax shelter ever devised can be of little value if the investment fails to perform. The watchwords should be, investment performance first, taxation treatment second.

■ Overlooking the *inflexibility* inherent in the surrender penalties attaching to some investment arrangements. If initial charges are replaced by early surrender penalties, well and good. But such penalties sometimes last for five to seven years or longer. If, even with the lower initial charges, your investment fails to perform, you may find yourself effectively "locked in".

■ *Failing to plan your return* to the UK in good time. Happily, after years of urging by expatriate commentators – myself among them – this is much less in evidence. However, cases still arise of expatriates who spend 25 years abroad but leave themselves only 25 days to organise their return.

Donald Elkin is a Director of Wilfred T. Fry Limited of Worthing, West Sussex.

Slow but sure comeback

The homes market will begin to move in 1993, reports ***Scheherazade Daneshkhu***

MORTGAGE lenders are making tentative predictions of a gradual recovery in the property market. Halifax, Nationwide and Leeds Permanent building societies all said this week they expected house prices to stabilise this year, but none predicted a rapid recovery.

Halifax, the largest society which lends to just under a fifth of mortgage holders, said it expected prices to stabilise by the spring. They have been falling by 0.5 to 0.7 per cent a month and are expected to continue dropping over the winter.

The Halifax house price index showed a fall of just under eight per cent in the year to November 1992. The society is reluctant to predict the extent of recovery for this year, perhaps because it was too optimistic in its predictions for last, when it forecast a rise in house prices in line with an inflation rate of about four per cent.

In its review of the housing market in 1992, the society does, however, forecast an important increase in the level of activity in 1993 – a prerequisite for the market's recovery. Last year there were just 1.1m housing transactions nationwide, representing about half the level of activity in 1988. Halifax says it expects this number to rise by 15 per cent in 1993.

It finds the main barrier to recovery is a lack of confidence among buyers rather than an inability to afford property. Halifax says mortgage payments now account for 25 per cent of earnings in the south east – the area worst affected by the housing decline – compared with more than 60 per cent in 1989.

The Halifax says further measures could promote a more robust housing market recovery, and suggests a number of moves the government could introduce. These include reforming mortgage interest tax relief to increase benefits for first-time buyers, and introducing a mortgage benefit scheme to assist low-income homeowners.

By contrast, Mike Blackburn, chief executive of Leeds Permanent, eschews "pill-popping policies which tend to give you a hangover". The temporary abolition of stamp duty on homes worth under £250,000, which was lifted in August, is one measure he believes hindered, rather than helped, the housing market.

"We believe house prices generally have stabilised and will show some signs of an upturn, accompanied by increased market activity," he said. "But these 'green shoots' will only really take hold if they are rooted in the right climate, and that means we need to see evidence of some global warming in the industrial and commercial sectors."

Tim Melville-Ross, chief executive of Nationwide, the second largest lender, said the government's plans to enable housing associations to buy around 20,000 empty houses would help reduce the overhang of unsold properties. "There is undoubtedly pent up demand from would-be house buyers, particularly first-time buyers, who have put their decisions to purchase on hold over the past two years," he said.

"However, this is counterbalanced by the continuing overhang of unsold homes and there will have to be a significant increase in turnover before we see any increase in prices."

The National Association of Estate Agents reported this week that December had been the busiest month in the past three years for agents. Michael Jones, president, said: "Although we anticipate there will be regional variations, we suspect the market has already turned the corner and that it could revive much quicker than even the Halifax is predicting."

But bursts of activity have been seized on as evidence of a full recovery too often in the past and cautious optimism is now the catchword of the big building societies. "Fears about job security and the economy as a whole are the main factors affecting the housing market. Changes in confidence could mean the recovery could be delayed or could be mnch stronger than now seems possible," said Melville-Ross.

Sickening rule for employees

David Cohen *on health insurance*

BRITISH tax law is littered with arbitrary distinctions between employees and the self-employed. The tax treatment of permanent health insurance (PHI) is a case in point. As a rule – provided you stay healthy – you will be better off in employment, but should you ever claim against the policy, then self-employed status will prove more tax-efficient.

Plans to protect income against long-term disability have enjoyed growing popularity in recent years, becoming an almost invariable feature of executive remuneration packages. Until 1981, PHI was a taxable benefit for directors and other higher-paid staff, although not for other employees. But the 1981 Finance Act introduced a blanket exemption and PHI remains to this day one of the dwindling band of tax-free perks.

Paying PHI premiums for staff gives an employer the best of both tax worlds. Not only can he confer a tax-free benefit on his workers but also the cost of so doing will be a deductible item for corporation tax purposes.

But while the taxman has a positive attitude to PHI for employees, his approach is quite different if the insured is self-employed. Premiums paid by the self-employed – whether sola proprietors or business partners – cannot be deducted from their taxable profits. So if bosses are insuring themselves and their staff, it will be worth their while asking the insurance company to "load" the premiums as far as possible on to the staff policies.

The Inland Revenue's pro-employee bias is abruptly reversed in the event that illness or accident leads to a claim for PHI benefit.

Some policies provide for lump-sum payments and these will normally be tax-free, irrespective of the status of the recipient. But in the more usual case of ongoing periodic benefits, employees draw the short straw.

This is because such benefits are taxed in precisely the same way as the salary they are replacing. So income tax will be deducted through the pay-as-you-earn system (even though the taxpayer is no longer in a position to "earn" anything) and national insurance contributions will also be due.

Although the self-employed are also subject to income tax, they can take advantage of an Inland Revenue concession which affords them a significant tax "holiday". The concession – that applies in the rare case of an employee who has made his own PHI arrangements – stops the tax clock from running until the unfortunate individual has been receiving PHI for one complete fiscal year.

The length of the tax-free period will therefore be maximised if the insured person can arrange to start drawing benefit immediately after April 6, the first day of each tax year.

Take the case of Oscar, a Treasury mandarin who suffered a nervous breakdown on Black Wednesday. Oscar had prudently arranged his own PHI policy which, like many such policies, requires him to wait 26 weeks before claiming benefit. He will therefore be able to draw his first monthly cheque on April 1, 1993. Bnt if he does, his tax exemption will end on April 6, 1994, because by then he will have been in receipt of benefit for a full tax year. If, instead, he defers his first claim until May 1993, he will extend his tax holiday until April 5, 1995. The sacrifice of a single monthly instalment will be more than compensated by the extra 11 months of tax immunity.

If, for example, Oscar's monthly benefit is £2,000, he will receive an additional £22,000 of tax-free income. That means a saving – at the basic rate – of £5,500.

Oscar's timing was relatively fortuitous. Obviously, for somebody whose benefit entitlement is triggered nearer to the middle of a tax year, there will come a point at which the cost of deferring benefits outweighs the tax advantage.

Although the ability to receive up to two years' tax-free income is unique to the self-employed, with no equivalent for employees, the position is quite different where the individual concerned is an expatriate.

By a quirk of UK tax legislation, PHI payments to self-employed expatriates are fully taxable in this country, after the expiry of the initial tax-free period. By contrast, benefits paid to non-resident employees should escape the Inland Revenue's clutches.

David Cohen is a partner in City law firm, Paisner & Co.

News in Brief

FRAMLINGTON is marking the new year by launching four unit trusts. All are initially aimed at the institutional market, but only one (the Exempt Balanced fund) is exclusively so. The three other trusts – American Growth, UK Growth and Emerging Markets – all have minimum investments of £500, so are easily available to small investors.

The American Growth fund will inveet in large and medium companies in the US, Canada and Mexico, and will complement the gronp's existing American Smaller Companies trust. The UK growth fund will invest in large and medium sized UK stocks.

All the trusts, except Exempt Balanced, will have an initial charge of 5 per cent; American Growth and Emerging Markets will have annnal charges of 1.25 per cent and UK growth 1 per cent.

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Building Societies have noticed that nervous borrnwers are opting for fixed rate mortgages in higher numbers. However, ths rates on offer are not as good as they were two months ago. Chelsea building society is today launching three fixed mortgages. One is fixed until June 30, 1995 at 7.95 per cent (for loans up to 90 per cent of valuation). The other two are fixed until June 30, 1997.

For loans up to 60 per cent of valuation the rate is 8.50 per cent, and for those up to 90 per cent of valuation, it is 8.75 per cent. Borrowers are required to take out Chelsea's own house and contents insurance, and the administration fee is £195. interest only and repayment mortgages, as well as pension and endowment deals, are available.

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Britannia building society has launched an 8.75 per cent mortgage fixed for five years. The arrangement fee is £225, and early redemption attracts a penalty of 180 days' interest. Interest only and repayment mortgages are availabla but you are required to huy Britannia's own house and contents insurance.

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Societies are also waking up to the ontflnw nf savers' funds into other products following the autumn base rate cnts. National & Provincial is offering a one percentage point of extra interest for a month on its Instant Reserve, Private Rsserve and Investment Reserve accounts. Money must stay in the accounts until the end of February, when the extra interest will be paid for 31 days, based on the balance growth during January.

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Life Association of Scotland is one of the many companies trying tn tempt funds away from the building societies. It is promoting its "Generator" plan, a five-year temporary annuity linked to a personal equity plan. The scheme is very similar to Scottish Widow's plan, marketing for which has been sharply criticised by some advisers.

Part of the investment goes into the annuity, which paye nut an income, while the Pep aims to grow enough to restore the capital at the end of the five years.

It needs to grow by at least 13 per cent per annum if the capital is to be replaced in full, so investors have a real chance of capital loss.

LAS is hnping to attract funds from building societies, but admits that the exposure to equities means a higher lsvel of risk. If capital is returned, then income should total above 9 per cent annually, depending on the age and sex of the annuitant.

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Falling interest rates do seem to mean some relief for those whose dsbts were out of control. TSB has cuts the monthly interest rste on TSB Trustcard and TSB MasterCard from 1.89 per cent to 1.79 per cent, with effect from January 25.

The APR for purchases will be 23.7 per cent, and 24.1 per cent for cash advances.

TSB still does not charge an annual fee for its credit cards, unlike any of the hig four clearers, and claims the latest move makes its credit cards "among the most competitively priced available".

Planning your Pension

Saving with Sipps

Andrew Warwick-Thompson reports on schemes for company partners

NIGEL LAWSON, the former chancellor, did not introduce a new type of personal pension scheme when he unveiled Self-Invested Personal Pensions (Sipps) in his 1989 Budget. He merely reinvanted a concept which has been available in various forms since the 1980s.

But while Sipps (and their pre-1989 variants) are unlikely to be cost effective for the man in the street, they can produce substantial cost savings for groups of individuals, such as partners in the same firm.

The cost efficiency of Sipps compared with cnnventional policies is illustrated in the table* which shows the impact of charges using a Reduction in Premium (RIP) comparison. The RIP expresses the total charges as a percentage reduction in every premium paid.

A large part of the charging structure of a conventional policy is related to the commission paid to the salesman and the RIP has therefore been calculated both nn "normal" policy terms and on nil-commissinn terms, using fnr illustration the charging structure of Standard Life's retirement annuity pensinn contract, ie their pre-July 1, 1988 policy.

The RIP also has an impact on maturity prnceeds. For example, a policy with a RIP of 14 per cent will have a maturity value of only 86 per cent of the maximum nntional fund available at the selected retirement age, ie the fund which would be available if the policy was entirely free of charges.

Let us suppose that partners A, B and C all effect 20 year pension policies on the same date for an annual contribution of £20,000. Partner A sffects his policy with Standard Life via his insurance broker on normal commission terms. Partner B effects the same policy via a firm of consulting actuaries nn nil-commission terms and Partner C effects a policy linked to his partnership Sipp.

If each partnsr's policy achieves a rate of return before charges of 13 per cent psr annum, Partner A's policy will be worth £1,612,000 and Partner C's £1,785,000. Partner C's policy has the highest valne because it suffers the lowest charges.

Many people will rightly suspect that one key feature of this analysis is the impact of commission on maturity proceeds. For example, the difference between the valua of Partner A's policy and Partner B's is £156,000. This difference is the direct result of the commission structure.

Surprisingly, the difference between Partner B's policy and Partner C'e, £173,000, is even larger, indicating the substantial additional costs borne by Partners A and B as the result of the insurer'e own expenses. Commission is, therefore, not the only handicap on the maturity nf proceeds of cnnventional policies.

Many pension advisers and investment managers dismiss the importance of charges and point instead to the superior investment performance of the product they are selling. This argument is realistic only when comparing "like with like", for example, a Standard Life policy set up on normal terms compared with a Scottish Widows' policy established on the same basis. In such a case the difference in charges is likely to be slight and relatively modest differences in investment performance will tend to "lose" these differences over time.

However, the argument for ignoring charges loses weight when comparing the charges of conventional pnlicles with Sipps. For example, in order for Partnsrs A and B to achieve ths same (or better) policy maturity proceeds than Partner C their policies must outperform Partner C's by around 1½ per cent per annum and 1 per cent per annum, respectively. Over a 20-year period this is very unlikely.

It is also possible to turn the ontperformance argument on its head. One of the advantages of a Sipp is that it does not necessarily have to produce tha best investment performance to outperform other policies. For example, in the case set out above, Partner C's policy could underperform by 1½ per cent per annum and his policy's maturity proceeds would still be the same as Partner A's.

Finally, on the auhject of cost-efficiency, there are only two factors which will influence the return achieved on a partner's pension contrihutions; the rate of investment return and the level of charges incurred. Only the last of these can be predicted with any certainty and every effort should be made to keep them as low as possible.

Apart from the cost, the other great advantage of a Sipp is that the partners appoint and control the investment manager. If the manager fails to perform satisfactorily he can be sacked and replaced without penalty.

Contrast this to the position if partners hold conventional policies. If the performance is poor, partners will have little sanction hnt to direct their future contributions to another policy. They might also try to transfer out of the poor performing policy hnt this is unlikely to be achieved without a high penalty.

So why do relatively few partnerships heve Sipps (or one of ths pre-1989 variants)? The answer lies in a combination of the following points.

- Most pension advisers are remunerated by commission. The best self-administered schemes are set up on nil-commissinn terms so recommending them is not usually in the interests of the adviser.
- Sipps require partners to act collectively. This is hard to achieve in practice and represents a "difficult sale". Most advisers will take the line of least resistance and recommend conventional policies.
- Partners tend to treat their financial affairs as private and separate from those of their partners. Unfortunately, this unavoidahly mnves them towards conventional, individual policies.
- Setting up a Sipp requires skills which are not usually associated with the commission end of the pensions industry.

Sipp skills tend only to be found in those advisers whose principal activity is advising occupational group schemes. Such advisers only operate on a fee paying basis and their services may only prove worthwhile if they are appointed by the firm as a whole rather than individual partners.

Therefore, if more partners are to benefit from the type of policy arranged for Partner C their firms need to recognise the need for fee-paying professional advice.

Until then, sadly, mnst partners in professional firms will contlnue, quite unnecessarily, to lose suhstantial parts nf the pension funds in the form of cnmmisslnns and other expenses.

*Figures in the table are calculated assuming annual contributions of £20,000 and an annual rate of investment return of 13 per cent. It is assumed that 15 partners participate in the Sipp, each contributing £20,000 per annum.

Andrew Warwick-Thompson is head of ths partnership pensions section at consulting actuaries Bacon & Woodrow.

Pension costs

Policy type	Percentage reduction in premium (RIP) 10 yrs	20yrs	30yrs
Normal policy terms (Standard Life)	14	20	27
Nil-commission terms (Standard Life)	6	12	18
SIPP	1	2	4

Reforms urged for pensions

Philip Coggan *looks at the calls for a single pension regulator*

THE Consumers Association this week added its voice to the calls for the creation of a singls regulator for pensions and a compensation fund for occupational schemes.

The financial services industry has been putting forward its views on pensions over the last few weeks, in submissions to the Pension Law Revisw Committee, nnder the chairmanship of Profesenr Roy Goode.

Tha Goode committee was established in the wake of a report from the Cnmmons select committee on social security, which recommended changes to the trust law which has been the basis of pension fund operation since the 1920s.

Debate has centred around the issue of compensation. The National Association of Pension Funds originally proposed a compulsory scheme which wnuld refund a shortfall no matter how it had occurred. This was fiercely attacked by the Electricity Supply Pension Scheme, the UK'e second higgest, which threatened to resign from the NAPF over the issue.

The association made a partial climbdown in its final submission to the Goode committee, and recommended that schemes should cover fraud, theft and negligence only. This view is backed by the CA which said that: "A sensible plan for compensating beneficiaries who lose out because of regulatory failure must be established."

"This would cover losses as a result of fraud," says the CA, "and as a result of professional negligence where, for whatever reason, the members cannot claim compensation from the professional concerned."

The CA added that such a scheme should be funded through insurance, sn that poorly-administered schemes were not subsidised by well-run schemes. However, if the insurance industry was not prepared to meet the risk, the CA backed a compulsory levy on occupational schemes.

The electricity supply pension fund wanted any compensation scheme to be funded by a combination of professional indemnity insnrance, the Investors Compensatlnn Scheme (run under the Financial Services Act) and the government. The liability of occupational pension schemes would be strictly limited.

Over the question of regulation, the CA joins other organisations, such as the Prudential and the Confederation of British Industry, in favouring a single authority.

"A eingle statutory regulator, reporting direct to a single government department, should be established to take responsihility for ensnring investor protection and fair play in the occupational pensions sector."

In addition, the CA called for

- pension rights to be protected in an employee's contract of employment
- trustees to be qualified, with one being given the responsibility of ensuring the scheme's assets are safe.
- professional advisers to have a repsonsibility to report suspicions of fraud or maladministration.
- members to be sent an annual statement nf benefits and summary of accounts.

The Goode committee has received over 1,000 submissions in response to a list of 81 questions it sent out in September. The committee is scheduled to produce its report in the summer of 1993.

Meanwhile, the CA gave the government the dubious honour of its Captive Consumer Award for its handling of the late Robert Maxwell's frauds.

"Official failure to regulate strongly and effectively culminated in Maxwell pensioners being captive consumers" said Derek Prentice, CA assistant director. "They are prisoners of a pensions scandal for the rest of their lives."

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £ms**	Bidder
Prices in pence unless otherwise indicated					
‡Evode	80*§§	102	72	94.30	Wassall
New Cavendish	46*	46	44	6.44	Broadland Prop
Simpsons Cornhill‡	36½	33	62	1.57	Baldwin

*All cash offer.††Cash alternative. §For capital not already held. ‡Unconditional. **Based on 12.30 pm prices 31/12/92. §§Shares & cash alternative. † Price at suspension.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)	Earnings* per share (p)	Dividends* per share (p)
Caspen Oil	July	166 L (60)	- (-)	- (-)
Estates & Agency	June	787 (7,140)	11.57 (14.24)	- (-)
Jenning Brothers	Sept	479 (462)	11.6 (12.0)	5.0 (4.8)
Kelsey Industries	Sept	307 L (1,440)	- (-)	13.0 (28.0)
Wheway	Oct	3,510 (2,800)	- (-)	1.0 (2.0)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)	Interim dividends* per share (p)
Graig Shipping	Sept	995 (1,700)	1.0 (2.0)
Kembrey	Oct	114 (170)	- (-)
Radiant Metals	Aug	1 (40 L)	- (-)
Stanelco	Aug	14 (-)	- (-)
Whitney Mackay-Lewis	Oct	353 L (115)	- (-)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L loss.

RESULTS DUE

Company	Announcement due	Dividend (p)* Last year Int.	Final	This year Int.
FINAL DIVIDENDS				
Irish Continental Group	Wednesday	-	-	
Quality Care Homes	Wednesday	-	-	
INTERIM DIVIDENDS				
Abbey	Thursday	-	-	
Banks (Sidney C.)	Wednesday	2.75	5.5	
Banner Homes	Wednesday	-	-	
Bespak	Wednesday	3.5	5.5	
Druck Hldgs.	Thursday	3.4	6.0	
Fleming Ind. High Inc. Tst.	Wednesday	1.0	2.567	
Flextech	Wednesday	-	1.5	
Grosvenor Inns	Friday	-	-	
Hollas Group	Wednesday	0.6	0.6	
Neepsend	Monday	0.5	1.0	
Property Security Inv. Tst.	Wednesday	1.5	2.25	
Saville	Thursday	-	-	
TR City of London Tst.	Thursday	1.15	-	
Vardy (Reg)	Thursday	1.3	2.7	
Williamson Tea Hldgs.	Thursday	10.0	10.0	

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue.

FINANCE AND THE FAMILY

Diary of a Private Investor

A year of dull times and minor disasters

LOOKING back at the end of a year is a useful exercise in highlighting the errors and successes of the previous 12 months in the hope that they can be avoided or repeated.

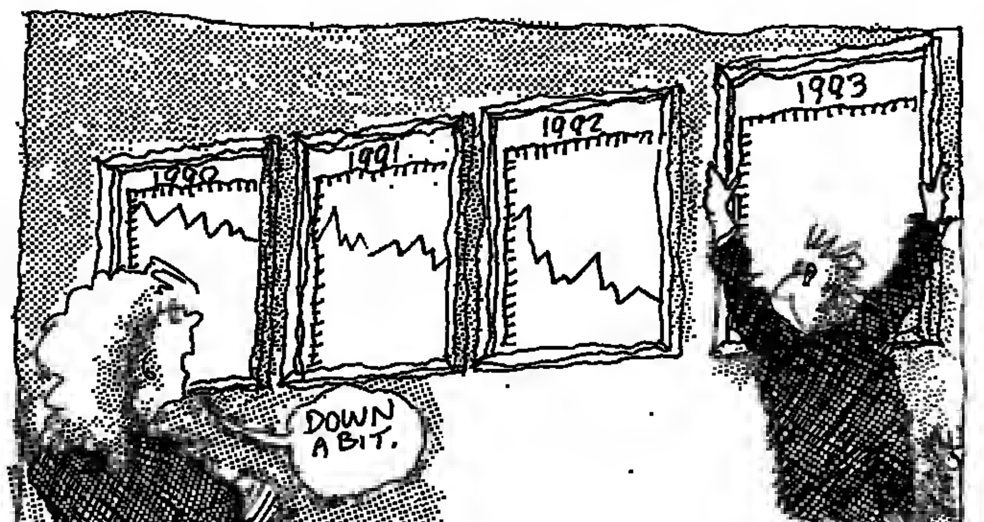
As a private investor, I found 1992 rather dull. My trading in shares was very limited compared with, eay, the 1980s, when I would trade very actively, sometimes selling shares in certain companies within months, or even weeks, of buying them. Of course, I also bought some shares then for the longer term hut, in those years, there seemed much more excitement in the market, with more takeovers, more small companies having share prices that rockated almost overnight before, perhaps, taking some months or years to collapse.

To me, profits seemed fairly easy to make, especially as I had taken evaslve action before the 1987 crash and then taken advantage of lower prices afterwards to huild my portfolio.

Other decisions I made in the 1980s also proved to be helpful in safeguarding myself in the 1990s. For example, I sold my last property share in 1989 and so did not suffer from seeing shares in some property companies rendered valueless when the companies went into liquidation in 1992. I also resisted the hlandishments, made on several occasions in the early and mid-1980s, to become a Lloyd's Name. I was not prepared to risk the amount of money expected of a Name without having much more direct control over the investment.

Bitter experience has taught me never to trust anyone in husiness – if I cannot "get out quick" and promptly cut losses, I am only prepared to risk comparatively modest sums.

However, this year's disasters include not "getting out quick", even when the opportunity was available. Over the years, I have made some useful profits via my personal pension scheme by huying and selling the capital shares of Scottish National Trust. I appreciated that, due to the structure of the various classes of shares in this investment trust, the share price of the capital shares tended to he highly volatile, but I did not keep a close enough watch on the share price and the performance of the company. The share price fell rapidly this year from 42p to 12.5p, before perking up to 18p and I should have cut my loeses much sooner. Fortunately, my holding had been very modest.



The same is true of my other investment trust disaster – 1,500 shares in Gresham House. An earlier article described how I made this awful boob, but this was compounded by keeping the shares rather than dumping them when they first started to go into freefall last year – and even retaining them in 1992 when I could have sold them for around 18p to 25p each. I took the view that a holding worth only £270 was not worth the effort of further research and so held on in the hope of a miracle. I should have sold. The shares are now quoted at 2p each.

My wife proved more astute when she sold her last Liberty voting shares for 575p in August while my personal pension fund hung on in the hope that Brian Myerson's approach, via Concerto, to "ginger up" the company would result in a longer term appreciation of the underlying value of Liberty. Sadly, this did not happen – by the time I sold, I received 550p a share.

I still made a useful profit and the voting shares have now fallen to less than 500p. However, I will continue to follow Liberty's progress in case there are signs that renewed huying could prove profitable.

Another disaster was HC Slingshy, where my personal pension scheme has, over the years, been steadily reducing its holding, hut not fast enough. I could have sold Slingshy for around 150p to 170p in February, hut again held on in the hope that this small company, which makes ladders and trucks, would be the subject of a takeover hid. By the time I sold, in April, the price was down to 110p.

Looking back, it would seem that takeover hopes have caused me to hold on to shares in a year that has been noteahle for its decline in takeover activity. It is never going to be possihle to pinpoint exactly when a share may rise on rumours of a takeover approach, and I have been prepared to hold shares for years in the hope of such an approach – especially when my confidence is boosted hy such events as the February takeover of sweetmaker Taveners hy a Danish chocolate and confectionery group which paid 165p a share. I had bought Taveners in 1987 for 58p each.

During 1992, I sold more shares than I bought, taking advantage of rising prices to make profit in a market which I thought was generally approaching overvaluation. The companies whose shares I did buy, such as Tha Investment Company, and increased holdings in Treatt and Photo-Me, were bought with the long term in mind – rather like laying down wine to mature.

My hest investments, however, were achieved as a result of Black Wednesday in September, when the pound wes devalued. In 1991, I bought shares in Nestlé for my pension scheme because I thought the company was well-run and undervalued. With its worldwide spread of investments, and heing based in Switzerland, its shares offered some protection against a falling pound. The shares cost the equivalent of £313 each in March 1991. Tbcy are now worth more than £500 each, having risen sharply after Black Wednesday.

As 1992 progressed, I became more and more concerned about the overvalued pound and felt that a sharp correction was long overdue. On September 4, I put a large part of my pension scheme's surplus cash into Swiss francs at a rate of 2.4665 to the pound. The rate is now around SFr2.196, which means that every £10,000 invested in September is now worth about £11,232 – plus interest. I shall certainly be considering further currency transactions in 1993.

My sole theatrical investment, *Return To The Forbidden Planet*, continued its successful run in the West End and, since originally making that investment in 1989, every £1,000 invested has paid out £1,080 of profit, with the promise of more to come. During 1993, the show will embark on (I hope) a successful tour of the UK.

Unfortunately, I also invested in the US version of the show. The show closed and I lost my entire investment in it. But then, I did enter it with my eyes wide open, appreciating the high risks of theatrical investment.

Premium bonds in 1992 continued to be a disappointment, although I think Ernie should really be re-christened Ernestine, as in the period 1987 to 1992 inclusive, in every year except one, my wife has won more money than I have. This year the sexist computer still preferred my wife. We each have the maximum £10,000 holding – she won a total of £750 (15 £50 prizes), while my total winnings were a pathetic £400. My eldest daughter did much better. She only had £100 of bonds and won £50. With reductions in the size of the prize fund, I am seriously considering reducing our hond holdings.

Kevin Goldstein-Jackson

The heavy cost of sending money

John Authers looks at the best – and worst – ways to transfer money abroad

TECHNOLOGY for eending money to people overscas is still in its infancy. If you are carrying a plastic card while travelling, cash services available are endless. The past year's turmoil on the foreign exchange markets has demonstrated how easy it is for large companies and financial groups to transmit money across national boundaries.

But for indlviduals sending small amounts overseas to friends or family, money transfer is disquietingly expensive.

The Consumers' Association experimented last year hy sending 160 payments of around £100 each between banks in 11 European countries, using both telex and mail transfers. They were so alarmed by the results that they called on the European Commission to intervene on consumers' behalf.

Charges were excessive at an average of £13, witb a maximum of £35 representing up more than a third of the money being sent. Average transfer time was eight days, and three transfers were lost altogether. According to the CA: "Six months after they were sent (and paid for), the banks still say they can't find them. As the law stands they don't have to pay us any compensation."

Transfers are charged on complicated sliding scales, and banks may make different charges according to the currency you are using.

Several banks are developing international networks, which go a long way to solving the problems. But these are still small, and cannot offer the comprehensive service available via credit cards for those making payments.

Banks which have worked on this include the Co-operative, which charges a flat £5 fee (even to those who do not have an account with the banks) to use its Tipa-net system.

This is a collaboration between co-operative banks in France, Belgium, Germany, Italy and Canada – it does not cover any other countries. The number of working doys to process the transaction can be guaranteed in advance if both you and the recipient have accounts with the banks involved. However, the system can be used at the same cost, but with the possibility of longer delays, if neither has e Co-op account. Payment in casb is recommended.

Girohank offers transfers into girobank accounts in 16 other countries for e flat fee of £2, and can also provide foreign bank cheques for a flat £5.

Royal Bank of Scotland offers IBOS (Inter-Bank Online System) with Banco Santander in Spain and BCI in Portugal. This guarantees a "same-day" transfer, for a minimum charge of £6 and a maximum of £12). You need to direct the money to an account witb the recipient bank in Spain or Portugal for the system to work. The system hopes to expand into France.

Other ambitious "same-day" services come from American Express and Western Union. The Amex "MoneyGram" is not restricted to its cardholders and allows you to send up to $10,000 to an American Express service centre in another country. The funds can be picked up by the recipient in casb, or travellers' cheques. If you and the recipient are near Amex service centres (of which there are 12,000) this is one of the most convenient ways of sending money in an emergency.

However, it is expensive. For amounts between $100 and $300, the fee is $35. For figures above there is a sliding scale, with a maximum of $200 for sums between $7500 and $9800.

Western Union offers a similar same-day service. If you want to send money, telephone their toll-free number (0800-833833). This will give you the eddress of your nearest agent, where you go to deposit your money (either cash, bankers' draft or building society cashiers' cheque).

The money can then be made available to anyone producing the necessary identification at any of 20,000 WU agents across the world. Again, the service has a heavy price. Transfers up to £25 will cost £8. A sliding scala leads to a maximum charge of £105 for transfers between £2,500 and £3,000.

Eurocheques offer good value for small payments within Europe, according to the Consumers' Association. The Eurocheque can be sent by post and the recipient then pays it into their bank account. Charges are around £2 for a payment of £100 and the account will normally cost about £5 to open.

Other methods include currency drafts or mail transfer. If you opt for the currency draft, you post it to the recipient yourself, who then can encash it. International Money Orders, usually available only in sterling or US dollars, work in the same way and tend to he slightly cheaper.

Mail transfers are done by the bank. For greater safety, and expense, you can use a telex transmission. For this you will need full details of the destination bank account.

Charges for standard drafts from high street banks are:
- Barclays offers Barclaydraft in 21 currencies to its own customers, and is available for amounts up to £5,000. There is a flat rate charge of £11. Others can bave International Money Orders in dollars or sterling only up to £5,000, for a cost of £7 up to £1,000, and £11 for amounts above this.
- Lloyds has a minimum charge of £15 and a maximum of £50 for currency drafts. The basic fee within these limits is 0.3 per cent of the amount sent.
- Midland charges a flat £6 for drafts up to £100, and then 0.5 per cent, with a minimum of £10 and a maximum of £32 for larger figures.
- National Westminster charges a minimum of £7.50 and a maximum of £50 for foreign currency drafts.

New stock account

YORKSHIRE Building Society is offering e second version of its guaranteed stock market account, Stock Index Plus. The account has a five-year term, hut is slightly unusual in that it allows investors to benefit from a partial guarantee in the intermediate years.

After one year, investors will receive their money back or 50 per cent of the rise in the FT-SE 100 Index (whichever is the higher); after two years, 105 per cent of their original investment, or 60 per cent of Footsie's rise, and so on, building up to the five year guarantee of 125 per cent of the original investment, or 100 per cent of the Footsie's rise.

There are two caveats, however – gains will be taxed as income, so taxpayers who have not used up their Capital Gains Tax allowance would do better to choose an indexed unit trust. The investor benefits only from the capital rise in the Footsie, not from any dividend yield.

The minimum investment is £5,000 and the issue is open for investment between January 2 and February 25.

Directors' transactions

Sales continue to outweigh purchases

WITH THE market reaching new highs, it is not snrprising that the number of sales is far outweighing the number of purchases. Nevertheless, there are more purchases this year than there were et the same time last year.

At the end of October, three main hoard directors of Babcock International, the heavy engineering concern, ware huying their own shares below 30p. This latest purchase by Jeffrey Whaller, the deputy chairman, is altogether larger and more convincing. Investor sentiment may be negative over the short term, but a pattern of support from the boardroom is clearly emerging.

Another company with an uncertain future is Amstrad, tha consumer electronics group. Alan Sugar's proposed huyout has failed, raising questions about his long-term commitment to the company's future.

The sales by Malcolm Miller and Robert Watkins of 714,000 and 563,500 shares at just over 23p do little to change investor perception of the company, particularly when these sales represent their entire holdings.

John Munro, maneging director of Fairway Group, which supplies computer etationery for the freight indnstry, developed a keen appetite for his own stock last year.

He bought a total of 590,000 shares the most recent batch of 375,000 at 37.5p. The first purchases, made in February and March, were executed at prices between 44p and 48p.

When Henlys Group fought off an unwanted bid from rival motor dealer T Cowie, one might have expected its share price to have gone into reverse. On the contrary, two features have combined to reassure investors: firstly sales of cars and commercial vehicles have improved eharply, against market expectations.

Secondly, the company was forced to cut costs aggressively making it a more attractive recovery prospect.

With the share price back at 73p, Rohert Wood, cbief executive, has hought 35,000 shares, taking bis holding up to 168,000.

Angus MacDonald
Directus Ltd

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Sector	Shares	Value	No of directors
SALES				
Airsprung Furniture	Misc	36,060	153	2*
Amstrad	Elns	1,277,500	295	2
Applied Holograph	Misc	22,000	22	1
Argyll	FdRe	114,050	477	2*
BM Group	EngG	30,000	26	1
Body Shop	Stor	50,000	97	1
Bowthorpe	Elns	230,000	618	1
Daily Mail & Gen A	Med	8,000	442	1
Electronics Data Pr	Elns	5,000	25	1
Grand Metropolitan	Brew	167,534	778	1
Haemocell	Hlth	1,130,000	1,921	2
Ladbroke	Hotl	25,000	45	1
Persimmon	C&C	13,375	28	1
Protean	EngG	200,000	260	1
Psion	Elns	25,000	25	2
Reed International	Med	187,600	1,210	2*
Sainsbury (J)	FdRe	7,000	37	1
Salvesen (Chr'n)	BuSe	201,394	703	2*
Sherwood Computers	BuSe	310,000	735	2*
Sleepy Kids	Hotl	132,000	38	3
Smith & Nephew	Hlth	100,000	165	1
Smiths Industries	EngA	204,741	704	1*
Staveley	Othl	32,978	74	2
Tesco	FdRe	211,341	546	1*
Thorn EMI	Hotl	45,332	389	1*
Tilton Holdings	BdMa	154,500	201	2
United Newspapers	Med	172,000	887	3*
Whatman	Hlth	7,220	31	1
PURCHASES				
Babcock Int'l	EngG	120,000	38	1
BNB Resources	BuSa	120,000	48	1
Fairway Group	Misc	375,000	141	1
Forte	Hotl	190,000	342	1
Henlys Group	Motr	35,000	26	1
Iceland Frozen Food	FdRe	58,000	346	2
Joseph (Leopold)	Merc	130,000	325	2
Klaen-e-Zee	Stor	695,959	468	4
Sycamore	Metl	486,859	41	1

Value expressed in £000s. Companies must notify the Stock Exchange within 5 working days of a share transaction by a director. This list contains all transactions, including the exercise of options (*) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange 14-24 December 1992.

Source: Directus Ltd, Edinburgh

As They Say In Europe

As rare as a Brandenburg olive

I POPPED over to Brussels for the New Year to see my Luxembourg friend, Jean-Peter Martini. He is still at the European Commission, running the new Language Harmonisation Programme.

I showed my alarm when I heard about it but he said that I need not worry. "It isn't one of those 'intrusive' programmes that you British go on about it's just to clear things up at the edges. To gain uniformity in common usages."

He slapped a Dutch newspaper in front of me. A headline read, *De zonnebloem zake*. "You see that was about the oilseed row with the US. It is a joke, but incomprehensible to the British."

"Dutch jokes normally pass us by."

"That is not the point," said Jean-Peter heatedly. "It means 'The sunflower case' – a reference to the Tintin books. The character you call Professor Calculus is Professor Sunflower."

In my amazement, or apathy, I emitted an expletive.

"That is another problem – differential swearing. Do you know that in 1992 two German-speaking correspondents in London could not translate the simple English word 'bugger', which was essential to their articles? Bernhard Heimrich of the *Frankfurter Allgemeine* did a piece on the British honours system and how the initials were vulgarised – KCMG stands for 'Knight Commander of St Michael and St George' and becomes 'kindly call me God' and so on. Well, when he got to Order of the British Empire, or whatever OBE stands for, he wrote, 'Other buggers' efforts', which can't be correctly translated into high German.' Charles Ritterband in the *Neue Zürcher Zeitung* quoted George V's dying words 'Bugger Bognor' and has to render them as 'To hell with Bognor'."

I agreed that was a problem.

"But we are making progress in other areas," said Jean-Peter. "We are trying to establish a fixed system of cliché exchange that would enable politicians to be immediately understood. People often take each other literally and the misunderstandings are dreadful. You must come to 'Eurocliché '93' in Essen in March. It's going to sort these things out. Britain is making a huge contribution."

He pointed to a board on which was written, "You can't kick start the economy by moving the goalposts on a level playing field."

"As it stands that sentence is quite incomprehensible, except in Greek. It gives our interpreters enormous problems."

Elsewhere I saw other country's contributions. The French offered *Nous n'allons pas nous noyer dans la morosité du bouc-émissaire à la dérive.*

"Hmm." I said, "'We aren't going to drown in the gloom of the rudderless scapegoat.' Not bad."

"But what does it mean?" shouted Jean-Peter. "Look at this – *Wir sehen im Fass ohne Boden die Reflexion des wiederaufgebauten Hunnen-Schreckenbildes.*"

"That's okay. 'We see the reflection of the reconstructed Hun shock-picture in the bottomless barrel.' It's about the new Nazis in Germany."

Jean-Peter tore it up, not wanting to waste time on anything sensible. His plan is to compile a list of phrases in each language which could be appropriately adapted – "words which can move across national frontiers as easily as a 40-ton truck."

"But the trouble then," I mused, "is that you will end up with things like 'We must implement appropriate computer software management modalities.' All familiar and all in English."

"If we stopped there you might be right. That phrase is no good – it should incorporate actually existing reality."

"I say, that's not bad. 'Actually, exist. . .'"

". . . ing reality. Precisely. I used the phrase advisedly. We have developed. 'The leitmotiv of actually existing reality is to be seen in the sine qua non of the acquis communautaire.' That refers, of course, to the evolution of the post-Maastricht ratification process of widening and deepening the Community." Jean-Peter paused a moment, gave a faint leer and said, "A thirsty teetotaller prefers a *pastis* to a pickled herring."

"I beg your pardon."

"That's one of our new cross-border proverbs and sayings. Delors is going to use it next week. I hope you won't break the embargo on it. Perhaps you can help, on a freelance basis. We pay for new sayings."

"I'll have a go."

"And don't waste time like a Spanish waffle-maker or turn it all into a Pomeranian paella, these things are as rare as a Brandenburg olive. . ."

"I won't fail – I'll wager all Lombard Street to a China orange on it."

"Hey, that's good. I'll add it to the list."

James Morgan

■ *James Morgan is economics correspondent of the BBC World Service.*

Knotty problem: Adrian Burks, managing director of Yacht Parts, is tackling a changing business

Minding Your Own Business

A little chandlery still clinging to the rigging

***Nick Garnett** on a small shopkeeper's fight to stay afloat in a hostile climate*

CORNER shops are businesses. They are one of the simplest forms of enterprise allowing owners to be their "own man." They also account for a substantial chunk in the long litany of recent small company collapses.

Sometimes, it is a case of too many newsagents in one neighbourhood, or a village where economic life has been deadened by weekenders. In others, it is a personal failure to grasp the basics of buying and selling and controlling costs.

The short history of Yacht Parts, a marine chandlery actually housed in a larger-than-average corner shop in London, shows many of the serious difficulties afflicting small shop-based operations.

The owner, Adrian Burks, remains confident about the company's future, but he can reflect on a series of crises since he started up in 1984. Opening another site in East Anglia nearly three years ago wrecked the company's cash flow and nearly broke it. Switches in customer demand have been awkward to deal with, and a computer system difficult to set up and run.

Lower profit margins have dogged the business. In its first full year, Yacht Parts broke even on a turnover of £90,000. In 1991, it squeezed a profit of £6,000 on £345,000 turnover. In the year to September 1992, it rolled up a loss of £13,000 on £254,000.

So, it is hardly surprising that 36-year-old Burks says: "It has become clear, as a result of analysing both costs and sales, that a big marketing effort is needed to increase turnover to cover costs. In the past, we have been drowning in our own mess. We have cut costs and I feel we can increase turnover by a quarter over the next 12 months."

Now, Burks is accelerating the process of transforming Yacht Parts from a chandlery serving the recession-hit boating fraternity to a broader supplier of products, from outdoor clothing to rigging for the interior design industry.

With his brother, Burks inherited a yacht-chartering business before joining one of the handful of chandleries in London. In 1984, the brothers set up their own business in the same premises Burks still uses in Fulham. "We had £5,000 of our own money, £5,000 from an investor friend and a £10,000 overdraft from Lloyd's bank." Rent was then £5,000 a year but, with rates, has risen to more than £18,000.

The shop still caters for boatowners living in London. But, two-and-a-half years ago, Burks made the mistake of opening another arm at Shotley, Norfolk. "It's at the end of a peninsula served by a small marina road. The only captive market was the boats in the marina and the promise of a larger marina development never materialised.

"We were there for a year. We didn't take a direct loss but we bought in a lot of stock, some of which we had to sell at below cost. It gave us terrible cash flow problems from which we are only beginning to pull out."

Burks is most concerned now with is the need to move the business further away from its roots. The Fulham shop is still packed with stuff for messing about in boats, from dinghy splash suits and compasses to floating winch handles and miniature electronic navigation systems. But he is fleeing from some of the products on which the company was built.

Chandlery, which accounted for 60 per cent of business four years ago, now makes up less than a third of sales and is likely to fall to 20 per cent or so. Burks explains: "That is partly because margins are so low due to the recession and the difficulties of managing hardware. Holding chandlery stocks can be a nightmare." He cites the 500 types of stainless steel screws used in boats, and the chandlery supplier with a 300-page catalogue covering thousands of products.

Second-hand equipment, from navigation lights to portable toilets, has dropped from a quarter of Yacht Parts' business to just a few per cent. "People are keeping hold of things much longer," he says. Sales of electronic equipment are also much less important. "There are specialist mail order companies doing this. What's the point of making £5 on a £200 item?"

To compensate, he is counting on clothing and rigging. A much wider range of outdoor clothing and shoes now makes up more than a third of sales, and Yacht Parts has negotiated a couple of exclusive distribution arrangements with British clothing suppliers.

Burks says rigging accounts for a quarter of sales and this is growing, particularly for building work and interior design. One of his contracts – which includes installation – is a design feature at a London suburban railway station.

Yacht Parts has some heavy overheads. Burks' modest yearly salary is £14,000, wages are £21,000 a year; transport £7,000 and a stand at the London Boat Show, and preparations for it, £8,000. "We tried to do without advertising, but that was a mistake and we are spending about £13,000 a year on that."

Burks still faces big problems with turnover and lack of profit. He plans to try to raise prices by 10-15 per cent and use much more direct marketing. That includes direct mail promotions for the firm's rigging service to theatres, exhibition halls and sports facilities, and direct mail to yacht charter operators and yacht clubs.

Yacht Parts has started offering deals to businesses in west London, allowing their staff discount prices on its goods.

To help control stocks, potential customers can now sit in an office and choose chandlery items from a battery of catalogues. Burks will order the goods as one-off items.

The company also took 18 months to get its £1,200 computer system running properly. "A friend eventually acted as consultant," says Burks, who has never taken a business course. He admits: "I would have benefited from one. A friend of mine has an MBA and he has lit up a lot of things, even with a simple question like: 'How much is that photocopier really costing you?' I had no idea."

Burks says the business was in real trouble in the spring. "I had cash flow and stock control problems. The pick-up in trade did not take place. I felt very low. I was looking at a black hole." But two new investors have injected £20,000 between them.

"That picked me up and I now have more people to offer advice," says Burks. He recognises, though, that a lot of work, carefully thought-out decisions and a bit of luck will be necessary to put the business on a more secure footing.

■ *Yacht Parts (London), 99 Fulham Palace Road, London W6 8JA. Tel: 081-741-9803.*

HIGHEST RATES FOR YOUR MONEY

	Account	Telephone	Notice/ term	Minimum deposit	Rate %	Int. paid
INVESTMENT A/C's and BONDS (Gross)						
Scarborough BS	First Post	0800 590578	Instant	£250	6.80%	Yly
Bristol & West BS	Balmoral A/C	0800 100117	Instant	£2,000	9.10%	Yly
				£25,000	9.20%	Yly
Scarborough BS	Scarbgh Ninety 3	0723 368155	90 Day	£500	7.25%	Yly
Manchester BS	3 Year Income	061 834 9465	3 Year	£10,000	9.57%♣	Mly
Chelsea BS	Premier VI	0800 272505	31.3.95	£10,000	10.00☆	Yly
Greenwich BS	Flagship Term Sh	081 858 8212	1.3.94	£25,000	10.25□	Yly
TESSAs (Tax Free)						
Allied Trust Bank		071 626 0879	5 Year	£9,000	9.49%	Yly
West Bromwich		021 525 7070	5 Year	£150	9.00%	Yly
National Counties BS		0372 742211	5 Year	£3,000	8.75%	Yly
Tipton & Coseley BS		021 557 2551	5 Year	£1	8.65%	Yly
HIGH INTEREST CHEQUE A/Cs (Gross)						
Caledonian Bank	HICA	031 556 8235	Instant	£1	6.50%	Yly
Citibank	Money Market Plus	0800 555884	Instant	£2,000	7.20%§	Mly
Chelsea BS	Classic Postal	0800 717515	Instant	£10,000	7.60%‡	Yly
				£25,000	8.10%‡	Yly
OFFSHORE ACCOUNTS (Gross)						
Portman CI Ltd	Channel Islands	0481 822747	Instant	£500	7.00%	Yly
Portman CI Ltd	Channel Isl. Plus	0481 822747	60 Day	£10,000	7.75%	Yly
				£25,000	8.00%	Yly
Bristol & West Intl Ltd	Intl Premier	0481 720609	5 Mnth#	£50,000	9.20%	Yly
GUARANTEED INCOME BONDS (Net)						
Prosperity FN		0800 521546	1 Year	£25,000	5.90%	Yly
Prosperity FN		0800 521546	2 Year	£25,000	5.55%	Yly
Laurentian Life FN		0452 371371	3 Year	£50,000	6.70%	Yly
Financial Assurance		081 367 8000	4 Year	£5,000	6.20%	Yly
Laurentian Life FN		0452 371371	5 Year	£50,000	7.00%	Yly
NATIONAL SAVINGS A/Cs & BONDS (Gross)						
	Investment A/C		1 Month	£5	5.25%	Yly
	Income Bonds		3 Month	£2,000	7.00%	Mly
	Capital Bonds G		5 Year	£100	7.75%F	OM
NAT SAVINGS CERTIFICATES (Tax Free)						
	40th Issue		5 Year	£100	5.75%F	OM
	6th Index Linked		5 Year	£100	3.25% +Infln	OM
	Childrens Bond E		5 Year	£25	7.85%F	OM

This table covers major banks and Building Societies only. All rates (except Guaranteed Income Bonds) are shown Gross. Fixed = Fixed Rate (All other rates are variable) OM = Interest paid on maturity. N = Net Rate. B = Bond. ♣ = Rate guaranteed only until 31.1.93. ☆ = Rate fixed only until 1.4.93. □ = Rate guaranteed until 1.5.93. § = Rate guaranteed only until 1.2.93. ‡ = Rate guaranteed only until 12.2.93. # = After 6 month qualifying period.
Source: MONEYFACTS, The Monthly Guide to Investment and Mortgage Rates, Laundry Loke, North Walsham, Norfolk, NR28 0BD. Readers can obtain a complimentary copy by phoning 0692 500677.

Q&A

BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

My hidden relatives

FROM 1985 I lived with a woman as common law man and wife. She died recently intestate. There are no blood relatives alive. Should a step sibling materialise what is my legal position as regards the disposal of her house and possessions?

■ If the deceased left no relatives of the whole blood, the rules of intestacy specified in the Administration of Estates Act 1925 and the Intestates' Estates act 1952 allow brothers and sisters of the half blood or, failing them, uncles and aunts of the half blood to inherit. If anyone in either class were found, they would (together with all others in the same class) inherit all the estate, equally between them if there is more than one.

If diligent enquiry produces no one in either class, the Crown will take the estate, but you can make a claim to an *ex gratia* provision for yourself from the Treasury Solicitors' Bona Vacantia department. It is usually sympathetic.

A return is good form

AFTER THE first year of independent taxation for married couples, my wife made a claim to the Inland Revenue in respect of tax overpaid on her income from investments, then largely in equities. The claim was met, and she was sent another tax repayment claim form for the subsequent year.

She has not used the form because she has since arranged matters so that the nil-rate tax band is covered by income from investments not taxed at source. She plans to continue this process, as nearly as possible and in balance over the years.

The Revenue has taken no further interest in her affairs, and meanwhile the tax vouchers, contract notes, and other records are piling up. How long should they be kept in case of future approaches from the Revenue?

■ Even if your wife has been skilful (or lucky) enough to arrange that her untaxed income of 1991-92 amounted precisely to £3,005, we recommend that she submit a tax return/claim. Even if you are both a long way from your 65th birthdays, and your wife does not wish to claim any part of the married couple's allowance, it will be simpler in the long run if she continues to submit tax returns.

You may like to ask your tax office for the free pamphlets IR80(1992) [Income tax and married couples] and IR84(1992) [Have you anything to declare?].

Plans for a garden sale

WE BOUGHT the house in which we live, with a garden, six years ago. This year we received planning permission for a house on the rear part of the garden.

1) Can we avoid capital gains if we sell the land with planning permission before we sell our house, using that land as part of the garden right up to its sale?

2) The land with planning permission is separately registered. It was added to the original garden nearly 50 years ago (we bought the house and *the whole garden as a single* transaction). We are about to remortgage our property if we exclude that land from the mortgage, could this affect the capital gains position?

■ 1) Yes, in principle, provided that the tax inspector is (or the Appeal Commissioners are) satisfied that you did not buy the house "partly for the purpose of realising a gain from the disposal of it" and that no expenditure after the purchase was "incurred wholly or partly for the purpose of realising a gain from the disposal". The words in quotation marks are from section 224(3) of the Taxation of Chargeable Gains Act 1992. Ask your tax office for the free pamphlet CGT4 (owner-occupied houses).

2) No (subject to the same proviso).

The solicitors who act for you in the remortgage – and the prospective sale – will be able to guide you through the CGT pitfalls etcetera, of course.

LEGAL NOTICES

NO. 0011196 OF 1992
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION.
IN THE MATTER OF
STANDARD CHARTERED LEASING
COMPANY LIMITED
AND
IN THE MATTER OF THE
COMPANIES ACT 1985.

Notice is hereby given that the Order of the High Court of Justice (Chancery Division) dated 9 December 1992 confirming the reduction of the capital of the above-named Company from £2,000,000 to £510,000 and the Minute approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the above-mentioned Act were registered by the Registrar of Companies on 22 December 1992.
Dated this 2nd day of January 1993.
Berwin Leighton, Adelaide House,
London Bridge, London EC4R 9HA.
Ref: IL/5221/42.
Solicitors for the above-named Company.

FASHION

Banish the grey

It is time for the British male to brighten up his act, says ***Christopher Brown***

UNLIKE his counterparts in the bird kingdom, the British male is usually drab. There might be a flasb of colour at the throat or on the chest, but be shies away from primary or secondary colours, assuming he knows what they are.

Tbere is, however, change afoot and, like magpies, our Britisb male is being ettracted to 'brigbts'. It could be a reaction to tbe grey weather, or a long-delayed decision to make a visible display to ettract the opposite sex.

Whatever the reason, sartorial life looks as if it is going to be more colourful in 1993.

Once colour was tbe preserve of the Italians, the Frencb, and even tbe Americans (remember all those bright tuxedos?). Now the Britisb male is also being tempted to buy clothing which is not grey, black or navy.

You will not see the migrating flock of grey suits on London Bridge turn overnight into an exotic and colourful flight, bnt you will begin to see red jackets eppearing on the street, at parties and in restaurants. Red is no longer the exclusive domain of buntsmen, guardsmen or Butlin's redcoats.

There are those who think tbat colour does not become the British complexion. But this is a fallacy; in the 18tb and 19th centuries, the male was a peacock and it is only during this century that colour has become associated with vulgarity, eccentricity and effeminacy.

But greys, hlacks, browns and dark blues have now become the colours of the male plumage, with the occasional chance to wear some bright tweed in the country or a pastel blazer in tbe summer at some jolly booting event.

Now the British male has the opportunity to invest in colour for his wardrobe. In most menswear sbops, from the easily accessible Oakland and Next to Jones witb its empbasis on top-class international designers, colours across the spectrum are being introduced on to the rails.

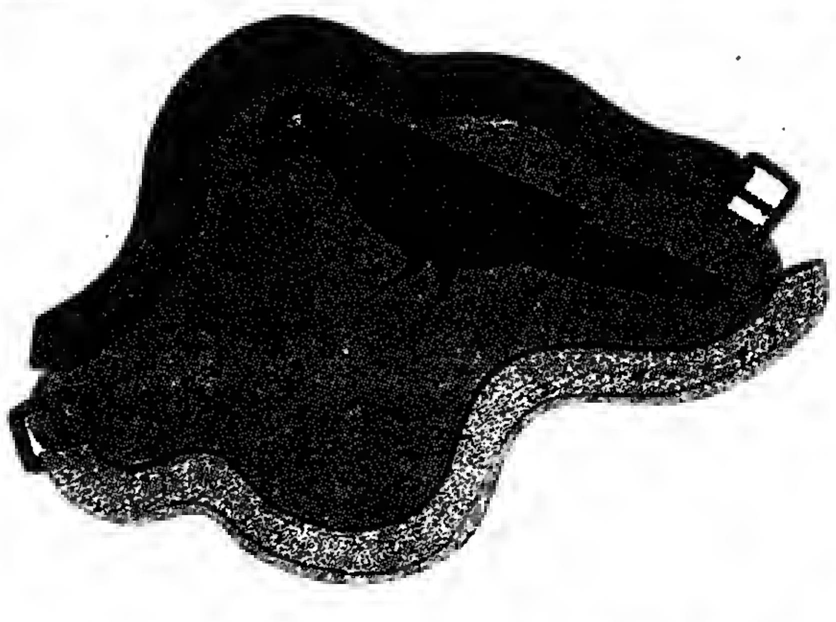
And Paul Smith proves tbat English designers are not afraid of colour, offering not only clothing but also belts and shoes in various colours.

In Savile Row, a cuckoo has appeared emong tbe distinguisbed ranks – Richard Jones offers beautifully cut 'traditional' clothes made from wonderful cloth in marvellous hues.

Colour is not about vanity – we all perhaps remember too well tbe Aesop fable in whicb tbe crows gathers feathers from other birds so as to be able to rival the peacock, only to be bumiliated because of his presumption.

Instead, it is about having the confidence to pluck out just e handful of grey feathers and replacing them with some brighter ones.

TIES do not have to come with grand international names attached. It may be more fun to go for less immediately recognisable designe. Sketched here (below) are a hand-embroidered, mustard-coloured silk tia with an olive and red flower appliqué motif by Sarah Beresford, £49, and a blue check silk tie, £39, both from Paul Smith, 41-44, Floral Street, London, WC2.



TRAIL BLAZERS: (Top, from left): Red wool blazer by Hugo Boss, £183 from Woodhouse branches, including 97 Kings Road, London SW3. Brilliant green velvet waietcoat, £105, from Freedman & Tarling, 27 Cork Street, London W1. Lilac cotton/viscose shirt £65, from Agnes B, 111 Fulham Road, London SW3 and 35-36 Floral Street, London WC2. Grey and white silk tie, £45 from Richard James. Purple suede gloves, £45 from Paul Smith.
Thierry Mugler grass-green wool jacket with metal star buttons, £485, from Jones, 13 Floral Street, London WC2. Worn with red and white cotton shirt by Comme des Garçons, £110, golden yellow Harris tweed waistcoat, £125, both from Jones. Red sueded gloves, £45 from Paul Smith.
Deep purple pure wool jacket, £350 from Richard James, 37a Savile Row, London W1. Worn with e cyclemen cotton/viscose shirt, £65, from Agnes B and a bright red velvel waistcoat, £105, from Freedmen & Terling. Lilac euede gloves with sheepskin lining, £59, from Paul Smith. Silk tie, £45 from Richard Jemes. Silk handkerchief, £25 from Richard Jemes.
BELTS can also be used to edd colour. Above ie a brilliant blue and a eizzling yellow leether belt, £39 each, from Paul Smith. The cufflinks (left) come in a leether pouch and ere gold-pleted with black or red cord, £45, from Freedman & Tarling. Cufflinks (right) are from an original design by Line Vautrin from the '50s. Gold-dipped, £245 from Richard Jamee.

GREAT KNITS: Hand-knitted pure wool sweater, £165, from Christopher New, 56, Neal Straet, and 52 Dean Street, London W1. Green cotton Levi jeans, £62, from Paul Smith. Grey fake fur hat, £60, from Christopher New. Plain silk ties, £45 each, from Freedman & Tarling, 27 Cork Street, London W1.

Where to find a good cup of coffee in the sales

Heather Farmbrough suggests places to take the weight off your feet in London's West End

SHOPPING in the sales can be exhausting as you lug heavy carrier bags from one overheated store to another. Desperate for something to eat and drink, you end up in the basement of a large department store, eating under-cooked and overpriced microwaved jacket potatoes. But you do not have to suffer: here are some suggestions on where to find the best snacks.

In Oxford Street, the best in-store cafeterias are Selfridges and John Lewis's The Place to Eat. But it is often quicker and more pleasant to step outside. James Street, just north of Selfridges and round the corner from Nicole Farhi and Bockle My Shoe in St Christopher's Place has several cafes, including Cafe Rouge and Cafe Creperie.

Five minutes' walk north of Selfridges is Maison Sagne, 105 Marylebone High Street. This is an old-fashioned, continental patisserie and is ideal for a late breakfast of strong, coffee and brioche, croissant, a fruit tart baked downstairs, or lunchtime omelette. A pot of filter coffee is £1.25, a croissant £1.10. It is open 9am to 5pm weekdays and to 1pm on Saturday.

Close to the Loewe end of Bond Street is the Granary Restaurant, 39 Albermarle Street. If you are hungry this is tha place to go, either for a huge salad, hot dishes with imaginatively cooked vegetables or old-fashioned puddings. Avocado stuffed with spinach and cheese or paella with chicken and mushrooms is £6.50. Staff are helpful, the self-service queue is short and children are welcome. A meal for one with a glass of wine, desert and coffee is £11-£12. Open from 11.30 am to around 8pm on weekdays; Saturday to 4.30pm.

On the edge of Knightsbridge is The Conservatory in the Lanesborough Hotel on Hyde Park Corner. It is not cheap but is worth a visit if just to see the lavish neo-Gothic design. The hotel staff are friendly, courteous and helpful and unsnooty. A large cup of cappuccino is £2.50; Caesar salad with is duckling £7.50. From 3-6 pm a pianist accompanies afternoon tea; scones, crumpets and clotted cream £5.00; full afternooo tea £13.50. It is open from 7am to 12 pm.

A short walk away in Harvey Nicholls' basement is Joe's restaurant bar which does a tasty selection of light meals. The decor is black and grey, the clientele trendy, but less so than in Joe's on Draycott Avenue. Service is quick. The mushroom soup is good but is almost the cheapest item on the menu at £3.95. The sultana bread, provided free, is excellent and makes up for the £1 cover charge levied during lunch.

Filling club sandwiches are £7.50; appetising salads start from £7.50. The restaurant is open for lunch noon Monday to Saturday (11am to 3.30pm Sunday) and dinner from 7pm, Monday to Saturday.

Emporio Armani Express, 191 Brompton Road, does a tasty *crostini* – toasted bread with chicken livers, tomato and mozzarella, Parma ham and artichoke for £4. Cappuccino is good and creamy, but at £2 a cup it should be. Lunch includes Italian dishes and salads. Main dishes are £8 - £10.00. There are interestingly dressed people to stare at if you are eating alone. Open 10.00 am to 5.30 pm; lunch from 12-3.30.

There is no shortage of choice in the Brompton Cross area. Near Beauchamp Place, Patisserie Valerie, 215 Brompton Road, offers a good breakfast until 11.30. At lunchtime, there are more substantial dishes, such as *croque monsieur* for £2.80, but the pastries and deserts should not be missed. Tarte aux pommes is £1.50; good capuccino £1.20. The tables at the back get busy but there is usually room at the counter. Service is quick and efficient. It is open 7.30am to 7pm Monday to Friday; to 7pm on Saturday and 9am to 6pm oo Sunday.

A favourite among shoppers is La Brasserie, 272 Brompton Road. Hot food is served all day including *croque monsieur* £2.50, spinach salad with feta cbeese £4.80. A small pot of coffee for two is £1.60.It is open Monday to Saturday 8am to 12 pm and from 10 am on Sunday.

For Sloane Square and the King's Road, Cafe de Blank in the basement and conservatory of the General Trading Company 144 Sloane Street is hard to beat.

Breakfast includes kedgeree and omelette with herbs, or you can choose from a tempting selection of pastries and healthy-sounding cakes. At lunchtime, salmon cakes and dill sauce cost £6.95; home-made soup with cheese and onion bread £3.25, perhaps followed by Greek yoghurt, honey and almonds for £2.75. The staff are friendly and quick, the conservatory overlooking the small garden is light and pleasant. Open from 9am to 6pm.

Serious shoppers often skip lunch and take tea instead. Brown's Hotel 30-34 Albermarle Street serves tea from 3-6pm every day. The lounge is warm, quiet, comfortable and highly soporific. I spotted two immaculately behaved toddlers among the predominantly American clientele. Customers may have to wait. Tea – a huge selection of cakes, scones and sandwiches is £12.95; high tea with a supper dish is also available. Gentlemen must wear jacket and tie.

Tea is an equally well-established institution at The Hyde Park Hotel where the sounds of the pianist tinkle across the elegant Park Room Restaurant, which overlooks Rotten Row. Tea, sandwiches, scones and cream and cakes are £10.50 per person. There is a cloakroom where visitors can leave shopping. It is advisable to book. Tea is served daily from 4pm to 6pm.

Motoring/**Stuart Marshall**

Bumper forecast for new models

AS I peered into the bottom of the Waterford tumbler that serves as my crystal ball, what did I see for motoring in 1993? A brighter prospect than last year's – and I do not think my optimism had anything to do with a warming dram of Islay malt.

It is going to be a bumper year for new models. Without wishing to sound like a government minister trying to keep up his spirits, car registrations did soar unexpectedly in December and the flood of new models is bound to stir the market.

Among the most important of 1993's new model crop is Ford's front-wheel driven Sierra replacement, the Mondeo. It takes its bow at the Geneva show in March. So will a deadly rival, the Citroën Xantia.

A month before that, the Peugeot 309's replacement will have bean unveiled at the Amsterdam show.

Earlier still, British buyers of small cars and multi-purpose vehicles (MPVs) will have been tempted into showrooms by two new Nissans. They are the British-built Micra (European Car of the Year 1993) and the Spanish-built, though in many cases British engined, Serena.

I used both cars as transport over the holiday and was impressed; more of them in this column soon. Prices will be announced next week.

The Toyota Carina E saloons and hatchbacks rolling off the assembly line at Burnaston, Derbyshire, are powered by engines made in north Wales. The Carina E has been criticised (not by me) for offering so much silence, efficiency and promised reliability as to be tedious. That kind of boredom appeals to real-world buyers, if not to writers in magazines which persist in treating everyday motoring as a sporting activity.

Mercedes-Benz sales, higher in the UK last year than in 1991, will be hoosted by the arrival of the new 190 (another Geneva debutante). Quality car sales have been generally healthy in Britain in recent months. There may be fields full of unsold Mercedes in Germany, where the recession is only just staring to bite, but there are none in the UK.

Honda's British-made Accord (and Montego-replacing Rover 600 version) will sharpen competition in the middle-management business car sector. Fiat, a marque I suspect will at last be coming in from the cold in Britain in 1993, will put its dinkily attractive Cinquecento before buyers here in late spring. Towards the end of the year, the replacement for the best-selling Uno is expected.

Hot hatchback sales will be further depressed in 1993 as they become harder and yet more costly to insure. Frustrated hot hatch drivers will continue to switch to recreational four-wheel drivas. There will be a major upset in this recession-resistant sector with tha arrival of Chrysler Jeeps later this month.

Jeep Wranglers will appeal to the young; family men will go for the Cherokee. This very civilised five-seat estate car takes to the road like a Volvo, and goes across country like, well, a real Jeep. At a little more than £20,000 with a four-litre, six-cylinder engine, automatic transmission, leather seats, wood veneer trim, air conditioning, ABS brakes, cruise control, power windows and six-speakar stereo, it makes nearly all its competitors look expensive.

Diesels made up 15 per cent of registrations at the end of 1992 compared with only one per cent a decade ago. (Modesty alone prevents my saying I told you so.) Their popularity will grow and by the end of 1993, one new British-registered car in five could well be a diesel.

Seeing no reason to break the habit of 14 years, I am driving into 1993 in yet another diesel – a Citroën XMtd estate with automatic transmission. I shall shortly be reporting on our first few thousand miles together.

Headlines this year will continue to blame multiple motorway pile-ups on fog, frost and snow instead of on mindless and inattentive drivers failing to maintain sensible speeds and observe proper braking distances.

Footpaths will be used as parking places by car and commercial vehicle drivers, too idle to walk a few yards and who do not give a damn for the safety and convenience of pedestrians, especially the old and the blind.

Tougher MoT tests should result in old, rusting heaps going to the knackers yard where they belong. But with an estimated up to 10 per cent of all cars being neither taxed nor insured, I am not optimistic that all unsafe old bangers will be caught in the MoT net.

Citroën's Xantia: making its debut at the Geneva show in March

Bargains beckon

CROSS-Channel ferry operators, notably Stena Sealink, are already carrying extra travellers eager to buy cheap drink in France, writes Stuart Marshall. From yesterday, weight and space are the only practical limits on what a motorist can bring back, local duty paid, from France.

No longer will you have to trouble your conscience by tucking an illicit extra bottle under the seat. Customs' guidelines allow for 90 litres of wine, 10 litres of spirits, and 110 litres of beer. All you need do is convince them you are going to drink it all yourself.

Even duty-free allowances are to be doubled – you can bring in what you buy on both outward and return voyages. The pity is that with Ffr8 to the pound, not Ffr10, hypermarket wines are not the bargains they were. But lager (under £5 for two dozen 25cl bottles) is still cheap.

Stena Sealink, which offers day trip fares starting from £70 return for a car with five people, is featuring the Champagne-Ardennes region in its 1993 short break programme. Two nights' bed and breakfast in Reims will be about £80 a person in a two-star hotel and £120 for a four-star *relais du silence*, ferry crossings included.

For a small supplement, visits to champagne cellars, with a tasting, are included. Reims is a relaxed 2½-hour (and Ffr170) drive on the uncrowded A26 autoroute, starting in Calais docks.

■ Edmund Penning-Rowsell writes: In Alice King's book *A Bootful of Wine* (Mandarin/Mitchell Beazley, £4.99, 192 pages) the wine-buying operation is planned in detail. Be sure to work out the car's payload and capacity, and how to pack the wine. A VW Golf hatchback with the back seat down takes 20 cases, a Ford Sierra 10 in the boot.

King lists and describes 280 wines likely to be found in French supermarkets and provides recommended growers' names to be found on the label.

Biggest savings are on sparkling wines: £1.83 a bottle on duty and VAT, compared with £1.11 table wines. Each wine listed is given the grape variety, its phonetic spelling and price band: inexpensive below Ffr20, medium-priced Ffr20-70 and expensiva more than Ffr70. Buyers at cellars in wine districts must ensure that the green *capsule congé* is on the bottle top, as this alone shows that TVA (VAT) has been paid.

Gardening/**Robin Lane Fox**

Coping with that seven-year itch

NEW YEAR is a gardener's time for plans, reflections and memories. My plans are obvious: do better; kill more weeds; spray earlier against black spot and replant that supreme luxury, a wide, newly-manured border, emptied of lts previous jungle and creeping buttercups.

It looks as though single white Japaoese anemones will have a large part to play. They have been one of my plants of 1992, refuting the notioo that they prefer a dry year in dry soil. They will grow almost anywhere, but sometimes they need a few years to establish themselves. During the 1990s, they will have their chance to spread beneath a background of holly and a light canopy of sycamores on the problematic fringes of my garden.

As for reflections, mine run in a particular direction. I keep thinking of the principle which we all cite, but never fully obey: whenever you *start a new garden or a new design*, plant tbe permanencies and hig features first. Time races by, until the seven-year wait for the first flowers on a Winter Sweet or the white huds on a Magnolia Grandiflora seem like a tiny interruption in the long road of a gardener's lifetime.

Bnt whatever your time of life, the principle still applies. Think long term and do not make the inevitable mistake of being half-hearted. I never succeed in thinking out the long-lasting framework for an entire garden as a first move and I am always diverted in places by an anxious wish for immediate colour.

Although seven years seem an eternity when we first set ont, ignore the prospect and always choose the best for the future, a Magnolia Wilsonii, not a Ribes, a hedge of clipped box rather than laurel. Always begin by planting as many of the trees, large shrubs and hedges as you can.

As for the memories, they are less grandiose – 1992 turned out to be a remarkable year. The spring was very dry and early and, by mid-June, it seemed that averything in the garden would be over at once. After a mad acceleration of the season, it began to rain, gaining momentum in July and starting a welcome overture which has led up to the recent torrential winter, unparalleled in my memory. At the same time, the air remained unusually mild, giving us a vintage year for winter jasmine, magnolias and winter-flowering cherry, until these recent frosts.

If I could plant only one tree for the longer term, it would still be a winter cherry, of which tbe best form is the best-known, Prunus Suhhirtella Autumnalis. Between the early droughbt and tbe later floods, evergreens and trees grew *heroically*. In the recent dry summers, survivors have been putting down deep roots: this year, they confirmed the old wisdom, that plants puzzle beginners by growing downwards for the first two or three years and then race upwards thereafter. Never single out a shrub as a slow performer on the sole evidence of early height.

In 1992, young yews, box and the admirable evergreen Osmanthus started to grow rapidly upwards, after four years of sending deep roots down for water. As a postscript, berries then appeared by the thousand on all sorts of trees, making one of the best autumns for fruiting in my memory.

Since September, it has been the year of the Sorbus and I doubt if the Far Eastern forms have ever been finer in Britain. Readers with Plantfinders might share my enthusiasm for Adenopbora Tashiroi, whicb comes from Japan and covers itself in pale grey-blue flowers like small lampshades. It is only a foot-high wben in flower and, despite the books, appears to be completely happy in full sun and a stony soil.

Beside it, I had a group of the various Parahebes in white and pale milk-blue flowers. Again, these small evergreen shrubs make marvellous edging for any low border and seem to flower throughout the summer. The frost has not hurt them and I cannot imagine why gardeners grow them so seldom.

Before the hlack spot, roses had an admirable fling in that extraordinary June where everything was running at least two weeks early. I have started to notice the qualities of some of the more delicate roses which were bred in the early 1950s and are now beginning to seem old-fashioned: I strongly recommend a quiet evening's research in Peter Beales' admirable reference hook *Classic Roses*, in which he does proper justice to forgotten roses, bred in this era and kept in the trade by his nursery list, and often by no other.

Elsewhere, many climbers were magnificent, although they flowered absurdly early. For the first time, maturity showed me the full loveliness of climbing Madame Paul Lede. It flowers only once, but the huge douhle heads are a unique shade of dusky apricot pink, like tha silk of a fine Edwardian dress.

My most lasting memory is not a rose nor, indeed, a flower of any kind: rather, 1992 was the Year of the Slug. In the wet weather, these non-human companions became fat, bloated and abominably slimy. They played ball with the hostas, hut I am also pleased to be armed with an excellent modern antidote. Called Growing Success, it is pet-friendly, plant-friendly and slug-bostile. Slngs, I suppose, cannot help lt, hut they do have atrocious appetites: Growing Success removes them by tbe dozen, efficiently, cleanly and as victors can always afford to be magnanimous, I bope that the dozens who died in 1992 died, in their non-linguistic world, without any real pain.

Fantasy world of a rebel designer

Koji Tatsuno turns ordinary clothes into specialities, says ***Alice Rawsthorn***

One-off wonder: Tatsuno designs his garments individually, *rather than as part of a collection*

WHEN Koji Tatsuno was at *school* in Tokyo, he wore tbe same military uniform as every otber Japanese schoolboy. From the outside, he looked like his classmates, but inside be had embroidered a red dragon on his jacket lining.

Tatsuno now has a broader canvas to draw on. The boy who customised his school uniform in 1970s' Tokyo bas become one of the most inventive fashion designers in Europe today.

Tatsuno treats fashion as *fantasy. His clothes* are extraordinary creations of fabulous fabrics, pleated silk jackets and waistcoats in Victorian-stylа tapestry, finished with shell buttons or tiny pearls.

This winter's collection oozes opulence with silks and velvets. For summer, he has used materials on hand – pieces of cloth left over in his studio, leaves from the garden, even strips of salmon skin.

The effect is exquisite and individualistic. The designs are not conceived as part of co-ordinated collections, but as particular pieces to be worn by different people. The cast list of his customers – from ascetic art collector Doris Saatchi to entertainer Diana Ross – reflects this. But all his clisnts will wear, and re-wear, their Tatsuno for years.

"If something is made properly, it should age," he says. "I would hate to think of people huying my clothes to wear them for a year and to throw them away. Clothes have lives of their own. The shape of a garment and the feel of the fabric change. Anything I make today should look completely different in five or six years time."

Tatsuno, 29, is a slight man witb long, silky black hair, wearing not one, but two, polonecks and a chunky corduroy jacket against the chill of a drizzly London day. He has lived in London since 1982 when he arrived from Japan, with no money and no English.

Born in a Tokyo suburb, his father was an air traffic controller and his mother left bome wben he was very young. His father remarried and he did not get on with his stepmother. At 14 he ran away to fend for himself in Tokyo.

Education is everything in Japan. A high school drop-out is an illiterate outcast with little or no hope of finding work. Tatsuno scraped along until he was sent to London to buy English antiques for a Tokyo dealer. The dust and dirt disgusted him after the spruce streets of Japan. Witb little money, he made his own clothes from fabrics he found at antique markets.

His break came wben a hnyer from Browns, the designer store, stopped him on the street and asked about the shirt he was wearing. Tatsuno started selling to Browns, beginning his own business, Culture Shock, which enjoyed a cult following before collapsing in 1986 with cashflow problems.

A shop on Mount Street followed, backed by Yohji Yamamoto, the Tokyo designer. Finally, in 1990, Tatsnno opened his own label.

He now operates from a shambolic studio on All Saints Road, in the heart of Notting Hill. Tatsuno and his partner, Yvonne Sporre, do all the designs and fahric development with a team of five. He has no formal training and designs by instinct – "I try not to think too mnch about it beforehand" – draping his fabrics around mannequins.

The core of his collection is still couture, but he has also introduced ready-to-wear made by an Italian sub-contractor. Ready-to-wear is a watered-down version of the couture and is also far cheaper. Josepb in London sells his ready-to-wear jackets for £350 and the couture versions for £2,000.

He shows at the Paris *prêt-à-porter*, which has given him an entrée into the international marketplace. His clothes are sold by Barney's in New York and L'Eclaireur in Paris, where be also has his own shop in Saint Germain. But his business is still small by international standards, with £1m turnover this year.

Tatsuno plans to stay in London. "I am a private person, still very Japanese in some ways. I always keep part of myself hidden and it is easier to do that here. In Milan or Paris, I would be sucked into the fashion system."

So far the system has been good to him. Christian Lacroix and Azzedine Alaïa, the Paris designers, botb encouraged him when be was launching his label.

Didier Grumbach, chairman of Thierry Mugler, has given financial advice. Grumbach's sister, Sylvie, now helps Tatsuno to organise his Paris shows, just as she has helped Vivienne Westwood.

Tatsuno finds affinity with traditional Japanese aesthetics. "There is a simplicity and sense of balance that is very close to my vision. As an outsider, I now see aspects of Japan that I did not appreciate before." He also shares the Japanese obsession for exploring the extraordinary side of ordinary objects.

"I try to recognise ordinary things that can be turned into something special." Just as a simple stone is treated as an object of beauty in a formal Zen garden, so Tatsuno makes a stunning silver tunic from 3,000 safety pins or sews strips *of salmon skin* on to *his* jackets.

■ *Koji Tatsuno, 28b All Saints Road, London W11. Telephone: 071 221 7481.*

FOOD AND DRINK

The empire cooks back

Philip Mansel considers the revival of a cuisine fit for sultans

THE Ottoman Empire is being revived – in the kitchens of Istanbul. Old cookery books are being scoured in search of lost kebabs and forgotten pilaffs. Restaurants are opening dedicated to the cuisine of the palace and the pashas rather than the food of the bazaar.

Even for the most jaded palate, Ottoman food is an adventure. Among its delights are sour dried plum, tripe soup with garlic vinegar and chicken pudding.

In a domed and arcaded courtyard beside the Süleymaniye Mosque, built by Süleyman the Magnificent in the 1550s, the Sultan established a soup-kitchen where the poor and the pious were fed at his expense. Last year a superb Ottoman restaurant, called Darüzziyafe, opened in the courtyard and the adjacent halls.

Among the best dishes in the long and elaborate menu are red lentil soup (Süleymaniye Çorbasi), artichokes stuffed with minced meat, a special köfte (minced meat) of lamb, chicken and pistachios wrapped in wafer-pastry (Yufkali Darüzziyafe köftesi) and aşure, a Ramadan pudding made of nuts and fruit. Since the restaurant site is still part of the Süleymaniye Mosque complex, alcohol is not served. Who needs wine, when sherbet of grapes, strawberries or the hips of wild roses are automatically brought to your table?

In a traditional part of Istanbul, south of the Golden Horn, the Darüzziyafe has a faintly austere atmosphere: it is especially popular during Ramadan, with the congregation of the Süleymaniye mosque. The Tuğra restaurant, on the other hand, is in a different world: a 19th century sultan's palace on the banks of the Bosphorus, which has been transformed, in the last two years, into the Çirağan Palace Hotel, the most sumptuous in Istanbul. Vedat Başaran, the restaurant manager, trained in London, and spent two years researching Ottoman food, teaching himself Ottoman script in order to read old cookery books. The son of a palace chef, Karamehmet Zennegolu, provided him with another link with the lost world of Ottoman food.

Ottoman cuisine, a mixture of Central Asian, Middle Eastern and Mediterranean influences, has always been sophisticated, some dishes requiring days of preparation.

In every self-respecting pasha's household two sets of vegetables were served at meals: cold vegetables in oil and hot vegetables cooked in butter. In the Tuğra restaurant, lavishly redecorated in the style called "Saudi Hollywood", the food is prepared with a devotion to detail worthy of the palace kitchens.

Fish is grilled on wood cut from a fresh bay tree, so that the heat blends the flavours. Quails are cooked inside giant aubergines, and lamb is grilled with peeled root of aubergine, in order to absorb the flavour of what Ottoman cooks considered the "king of vegetables".

Among the puddings Hünkâr muhallebi, milk pudding with wild strawberries and pistachios, is delicious. I hope the famous Ottoman pudding called tavuk göğsü, available in many local shops, will soon appear on the menu. Made of chicken meat beaten to a smooth pulp and then cooked with milk, sugar and cinnamon, it was frequently served to foreign guests.

In the late 19th century the deposed Sultan Murat V was immured in Çirağan Palace for 28 years, by his brother Sultan Abdulhamit II. The best French brandy and champagne helped console him for the loss of his throne and his freedom.

Guests in the Tuğra restaurant can follow the Sultan's example, but they should try some Turkish wine. The Kavaklidere company produces good products.

In spite of the grandeur of these two restaurants, and the excellent service, on some evenings, overwhelmed by crowds, the food can be bland. Just as enjoyable was the Asithane Restaurant, in a simple district of Istanbul beside the Byzantine splendour of the Kariye Camii. The chef Raşit Özdemir is from Bolu, a province famed for its cooks. His fava (broad bean paste) and Vişneli Ekmek Tatlisi, bread soaked in sour cherry syrup – a distant Turkish cousin of summer pudding – were especially good. Pilaff or pilav is a speciality of Turkish cooking: the crack troops of the Ottoman army, the Janissaries, loved it so much that they used rice cauldrons on regimental banners. In all three restaurants the pilaff was excellent and the Asithane restaurant served a variety new to me and my Turkish hosts: Kadirga Pilav (rice with almonds, pistachios and herbs served au gratin).

All three restaurants provide a reinterpretation, rather than a revival, of Ottoman cuisine. The energetic young manager of Darüzziyafe, Alper Okutan, admits: "Sometimes you have to modernise something. You don't have the exact material."

Vedat Başaran is determined to introduce what he calls "a new concept of Ottoman cuisine", adapted to the demands of the modern restaurant, and the need for attractive presentation on the plate. He says: "We are trying to bring out the old recipes according to new methods." Instead of whole chickens, stuffed with pistachios, oriental rice and spinach, visitors to the Tuğra restaurant are served stuffed breast of chicken, which used to be served to Ottoman dignitaries. The deadening influence of nouvelle cuisine is apparent: a few mixed vegetables on the side of a plate often replace the traditional platefuls of the same vegetable. The iceberg lettuce has ousted local varieties. Some members of the Turkish Food Lovers' Association say that they are happiest in the simple restaurants behind the fish market in Beyoğlu.

The revival of Ottoman cuisine is part of the wider reappraisal of their position in the world, being undertaken by a minority among the new generation of educated Turks. They combine knowledge of the latest management techniques with a desire to rediscover traditions which they have lost since Kemal Atatürk replaced the Ottoman Empire with the Turkish Republic in 1923.

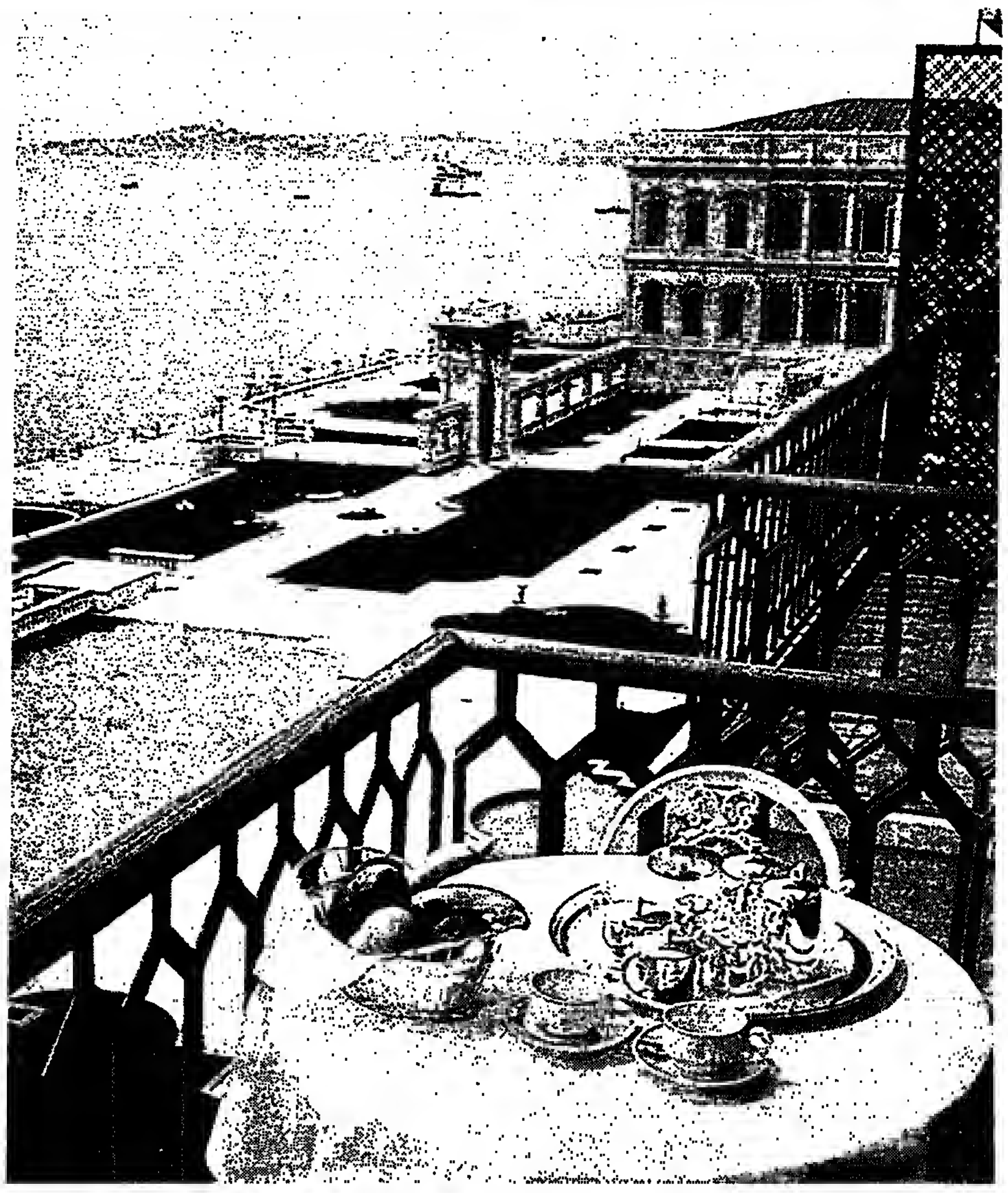
All three restaurants had musicians singing or playing soothing traditional Turkish music.

Since the Ottoman Empire was a multinational state, this new interest in the past is far from nationalistic. Dishes with Azeri, Albanian and even Greek names are on the menu.

Vedat Başaran, originally from Yugoslavia, says: "Ottoman was not only Turkish, it was part of a huge food culture." Older generations, brought up in veneration of the Ataturkist republic, are bewildered.

■ Information: Darüzziyafe, Şifahane Cad. 6, 34440 Süleymaniye. Tel: 5118414. Fax 5261891. About £20 a head. Tuğra Restaurant, Çirağan Palace Hotel Kempinski, Çirağan Caddesi 84, 80700 Istanbul. Tel: 2583377. Fax 2596687. About £30 a head. Asithane Restaurant, Kariye Hotel, Kariye Camii Sokak, Edirnekapi. Tel: 5348414. About £10 a head.

■ Philip Mansel is author of *Sultans in Splendour: the Last Years of the Ottoman World* (Andre Deutsch 1988, £17.95). He is writing a history of Istanbul under the Ottoman sultans.



The Çirağan Palace Hotel: re-establishing the lost world of Ottoman food

A storm in an Earl Grey teacup

Giles MacDonogh turns to the tea leaves for new year inspiration

EVEN IN our democratic age the nobility has a way of selling things. It was not so long ago that a biscuit company engaged the services of a ducal pair to sell its products: "Mmmm, orangey," said her grace, as she nibbled away.

The use of noblemen and women in television advertisements panders to snobbery, but the attachment of aristocratic names to dishes has a more interesting history: partly based on the tradition of patronage and, in France at least, on a certain notion of gastro-erotica at the time of Louis XV.

It was rarely, if ever, noblewomen themselves who were behind the dishes which bore their names. The Maréchale de Soubise never sullied her delicate hands with onions any more than the Duchesse de Mailly spent her time experimenting with baby-rabbit fillets. These dishes were the inventions of cordons bleus. Their purpose was to tickle the palate of His Gourmand Majesty. Any female courtier who came up with *something special* might well be considered next in line for the royal bed.

As we all know, the British do not have sex. There is nothing in the least bit sexy about a sandwich, even if the noble earl of that name did lay down the law as to how it should be made. Boeuf Wellington might have a more aphrodisiac effect, but the origins of the dish almost certainly predate the Iron Duke's time. When we come down to it, most people in Britain would rather have a cup of tea.

As it so happens, our most famous tea also bears a noble patent; that of the second Earl Grey. This particular Earl Grey was a busy man, a Whig grandee who introduced the Great Reform Bill in 1832 which began the process which ended with the democratisation of these islands. Did he then have the time to nip off to China in order to put together the blend of black teas and oil of bergamot which bears his name?

Rarely, if ever, were noblewomen behind the dishes which bore their names

Tony Wild, of the East India Company, says definitely not. He and his researcher, Robert Baldwin, have been through the Grey papers at Durham University and found no evidence that the noble lord had anything to do with the Earl Grey blend.

In a lecture delivered to an invited audience at the Victoria & Albert Museum last autumn, Wild poured scorn on the many legends which have grown up surrounding the tea: there was no truth in the story of Grey even visiting China, let alone saving the life of a Mandarin who, in gratitude, taught him his recipe for tea with the oils of bitter oranges.

Wild advances his own theory as to the origins of the blend. He traces the tea back to the circle of Sir Joseph Banks, the natural scientist, who edited the official account of the McCartney Mission to China in 1792.

The account contains a good deal of information on tea growing including the promiscuous planting of tea bushes and orange trees. Banks was also known to be passionate about tea.

One of Banks' friends was Sir George Staunton, whose father, another George, was part of the McCartney mission. Wild has uncovered some circumstantial evidence to show that Staunton might have dreamed up the famous blend, and has consequently marketed a new Earl Grey tea called "East India Company Staunton Earl Grey".

Rather more likely, however, is that Jacksons of Piccadilly simply asked the famous reformist Earl Grey for permission to attach his name to their new creation. Grey was after all, something a hero for the newly enfranchised middle classes: the tea was bound to sell.

Wild believes he may have caused a storm in a teacup by these revelations but the sixth Earl Grey seemed fairly apathetic when I spoke to him: "He's just trying to launch his new brand, and good luck to him," he said charitably.

The noble lord, who appends his signature to the Twinings brand, admits that the second earl – to whom he refers quaintly as his "predecessor" – "never went to China" thereby refuting the version of the story written on the Twinings' packet.

Lord Grey seemed most struck by Wild's claim that he was earning a fortune from Twinings for "legitimising" the brand. As for the rest he simply was not going to rise to the bait: squabbles of this sort are simply *too* infra dig.

The art of a friendly welcome

THE FIRST restaurant I rang, where dinner would have cost £50 a head, did not seem concerned that it could not give me a table. There was no offer of an alternative time nor was my name and number taken in case of a cancellation. It showed little desire to welcome me.

The second restaurant could not have been more different – even though it was part of the same group, Forte. The receptionist explained the new menu; told me about its jazz trio and made me feel most welcome. Dinner was very reasonably priced.

Efficient but friendly receptionists are invaluable to any restaurant because first impressions are so crucial. Receptionists are also a restaurant's last line of defence. Any criticism of the food or service which the customer felt too intimidated to pass to the manager often comes out as the coats go on. A receptionist worth her salt should be able to overbear and make some attempt at salvaging the situation.

Christmas and new year test a receptionist's talents to the full. Perhaps he or she will be grappling with 20 similar overcoats and black umbrellas from a group arriving for an office party. Maybe the receptionist will be propping up his or her eyelids until the early hours when the last guest leaves. Often a receptionist will be dealing with clients who are slightly the worse for drink.

But there will be financial compensations. Receptionists are paid a bread and butter rate by the restaurant, approximately £25 for a shift that may last from 5.30pm until 1.30 am. The cream is the tips. Until the Inland Revenue and the recession intervened, tips could amount to £40 to £50 in cash on a busy night. Today, the receptionist will invariably be last in the gratuities queue as customers curb spending and tips are pooled with the rest of the staff and taxed.

So what is the appeal of the job? For the answer I turned to Sian Cox, a woman who was the finest receptionist I employed in my previous career as a restaurateur. On paper, she was vastly overqualified – an attractive full-time schoolteacher and a mother of three. But she had the two basic qualities any

Sian Cox: a receptionist for one night a week and a full-time teacher

good receptionist needs – old-fashioned good manners and a genuine interest in the public. Sian Cox modestly described herself as "a people junkie."

Armed with Sian's qualities a good receptionist should be able to cope with the other demands of the job: to put themselves out, whatever the time; to be able to prioritise when dealing with the arrival and departure of guests; answering the incessant call of the telephone and handling irate taxi drivers who have been given only a client's first name.

The final attraction of the job for Sian was that it gave her the opportunity for nights out in a completely different environment. Made-up and smartly dressed, she would leave her children with her husband and join a bustling, adult world which was a complete contrast to her day in the classroom. The receptionist's world may not be as intellectually stimulating as a teacher's but it *can* be more financially rewarding.

The most attractive bonus for any receptionist must, however, be that of Kurt Wachtveitl's, general manager of the Oriental, in Bangkok. Every New Year's Eve he opens its famous Bamboo Bar and closes when the last guest has left at about 6am. Then, armed with a large Bloody Mary, he heads off for a peaceful journey along the *klongs* (canals) of Bangkok.

Sadly, this is a perk not available to even the finest restaurant receptionist in London.

Nicholas Lander

Cookery

Ginger up your new year cake

Philippa Davenport guards against bad luck

GINGER IS said to bring good luck. Will the eating of it early in 1993 lessen the chances of another *annus horribilis*, I wonder? In the hope that it will, I am planning to eat a good deal of it on Twelfth Night. This sheds new light on the notion of going gingerly into the new year.

The easiest way to guard against bad luck might simply be to crack open a porcelain jar of stem ginger in syrup and treat it like a fondue: give everyone a fork for spearing the nuggets and offer bowls of whipped cream or crème fraiche for dipping, and squares of best bitter chocolate (Black & Green's) to nibble on the side.

I also like the idea of making an Italianate ginger trifle – using panettone instead of sponge cake, Marsala as the booze, and a mixture of sliced stem ginger, segments of clementine and well toasted hazelnuts under billowing layers of custard and cream.

Already a festive favourite in this household is a ginger cake made along lines traditional in Cumberland, Westmorland and Yorkshire.

In those areas celebratory dishes are often laced with such ingredients as rum, molasses and all manner of spices. These recipes are a link to the flourishing trade in times past with the West Indies and Far East, and they serve as a reminder that Whitehaven was once one of the most important ports in Britain.

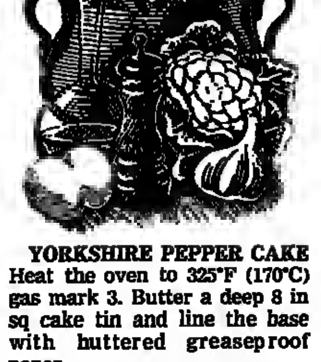
Old cake recipes like the one which follows are often known as pepper cake, rather than ginger cake. This may be because freshly ground black peppercorns are sometimes included for extra aroma and heat.

It is more likely, I think, to stem from the more frequent inclusion of Jamaica pepper. This is the small brown berry native to Jamaica, a little larger than than a peppercorn and not actually a true pepper at all, better known today as allspice.

Its name derives from the fact that it is thought to have something in its aroma of cloves, cinnamon and nutmeg combined.

A cake like this will only taste as good as it should if allowed to mature for four or five days between baking and eating. So there is no time to lose. Make it today and serve it on Twelfth Night for a lucky 1993.

Serve it for tea, sliced just as it is or spread with butter. Or, for a delicious pudding, top fingers of the cake with whipped cream or crème fraiche and serve them alongside a dish of Cox's Orange Pippins or Kidd's Orange Reds cut into crescent moon slices and fried in butter until gilded and sizzling hot.



YORKSHIRE PEPPER CAKE

Heat the oven to 325°F (170°C) gas mark 3. Butter a deep 8 in sq cake tin and line the base with buttered greaseproof paper.

Stir together in a large bowl 6 oz plain flour, 2 oz rye flour (or wholemeal in the absence of rye flour), 1½ teaspoons bicarbonate of soda, 1 tablespoon ground ginger, 1½ teaspoons of ground cinnamon, 1 teaspoon ground Jamaican pepper (in other words allspice) and ¼ teaspoon freshly ground black pepper. Make a well in the centre.

Mix together in a separate small bowl some stem ginger chopped into small pieces and some sultanas or dates, 7 oz in all, say 4 oz ginger and 3 oz sultanas or dates. Sultanas add juicy sweetness. Dates, which should be stoned and chopped, give the cake a delicious fudgey quality.

Dice 4 oz butter into a saucepan. Drizzle over the fat 6 oz each strong dark honey, such as heather, and black treacle. (If preferred the 12 oz of sweetener can be made up of equal weights of unrefined brown sugar, honey and black treacle.)

Warm gently over low heat, stirring now and again, until the butter has melted and the ingredients are blended.

Set the pan aside to cool the contents a little while you break 2 eggs into a cup and mix into them with a fork 2 tablespoons milk.

Then pour the warm butter and treacle mixture into the bowl of spiced flour, and beat with a wooden spoon until smooth and glossy, gradually adding in the beaten eggs.

Stir in the chopped ginger and sultanas or dates. Turn the mixture into the prepared tin and bake for about 70 minutes.

Cool on a rack and wrap tightly as soon as cold in fresh greaseproof paper and foil. Store for four days before eating.

St Lucia: a violet in the Jalousie rainforest

Jalousie Plantation is the smartest, newest, hideaway Caribbean luxury resort.
Michael Thompson-Noel reports

SIX snapshots from St Lucia:

First snap, 9.30am: I am sitting on the veranda of my cottage at Jalousie Plantation, listening to the birds, listening for the rain, and watching the rainforest stir and resettle. There are butterflies flickering. It is early December.

Jalousie Plantation is the latest word in luxury hideaway Caribbean resorts, so I am flicking through the PR bumf, comparing what it says with what I see around me. For once, the PR hooligans and harridans have met their match. They cannot be gainsayed. In the calm of this beautiful morning their superlatives seem gnat-sized in comparison with the scene laid before me.

According to the bumf: "Situated on 320 acres of a former sugar and copra plantation, in its own private estate set against the waters of the Caribbean Sea, Jalousie Plantation is a site spectacular, even for the Caribbean.

"Framed between the symbols of St Lucia, the Petit Piton and Gros Piton mountains, which rise 2,619ft and 2,461ft respectively, the creators of this new resort have painstakingly disguised it to blend in with Mother Nature."

That is all extremely true. To my left and right are Gros and Petit Piton – dramatic volcanic upthrustings, arrowhead-shaped. When it rains, the pitons shed instant cataracts, like a young bride's tears. Yesterday, a woman was injured while climbing the Petit Piton. She should not have been on it. Illegally, guides take tourists up for about $20. The woman had to be rescued: soldiers, a helicopter, really quite a flap.

The sea is in front of me, lapping the beach at Jalousie Cove where some fishermen are located. This is an all-inclusive resort. One price covers everything: accommodation, meals, drinks, sports, spas, supervision of children, airport transfers, taxes and service charges. Apparently, I can ask one of these fishermen for the catch of the day and have it charcoal-grilled at the Bayside Bar and Grill, one of the resort's four restaurants, before my very eyes.

Behind me is a dense rainforest ridge from which the plantation and its tropical flora cascade to the cove. Part of the estate is regarded as a bird sanctuary, to help attract the green Jacquot parrot, St Lucia's national bird, which is said to be endangered, no doubt due to foolishness. Jalousie's efforts at plant and bird-life conservation have won the approval of Dr Josephine Rickards, chairman of the St Lucia Naturalists' Society.

The rain has not come. I bin the PR bumf. Shall I swim in my private plunge-pool or go in search of the elephant?

'Behind me is a dense rainforest ridge from which the plantation and its tropical flora cascade to the cove'

Second snap, 9.30pm. I am having dinner with Colin Tennant – Lord Glenconner – who is an investor in Jalousie, and Robert Stewart, general manager. Some of the antiques in Jalousie's Great House have come from Glenconner's homes in *Mustique*, Scotland and England. He lives in a house high above the cove, at the foot of Gros Piton. The house is murder to get to though the view is sensational. Glenconner is a scrupulously courteous man, and inexhaustibly knowledgeable about the Windward Islands and their ways. He has lived in St Lucia since 1979.

Between courses, I tell him about my theory that travel writing should be judged not on what it *includes* but on what it leaves out.

"Such as?"

"Well, wodges of historical stuff chucked in as padding."

"I see. Much of it is wrong, you know. Someone gets the history wrong and then it is repeated, handed on down. I feel sorry for tourists, you know. They don't see very much. All they see is an extremely small part of things – not how people live, how they really are.

"And inaccuracies abound. For example, all the guides and guidebooks say St Lucia has a 'drive-in volcano,' but it is neither volcano nor drive-in. If you ask me, the volcano was out here" – he gestures towards Jalonsie cove – "between the pitons. What the tourists are shown are merely sulphur springs associated with volcanic activity. I could be wrong, however."

"How about that parrot? Is it really endangered?"

"I don't believe it is. Someone I know sees one nearly every day."

"And how about your elephant? Is she generally around?"

"Ah, Bnpa the elephant. She's in the bush right now, but certainly she's about. A very good elephant. She would answer my call from anywhere on the plantation." Bupa is a *16-year-old African elephant* that Glenconner purchased in Dnblin and shipped to St Lucia. "She's very kind at heart, and very fond of pigs. She doesn't sleep at night. Do you know what she does? She cracks open coconnts and puts them in a line for when the pigs wake up."

Third snap, 10am the next day. I am pottering round the volcanic springs, south of Soufrière: about an acre, grey and *brown mudpools*, a *gentle hissing* of steam. Really rather tedious. An eruption is not predicted. After that I drive into Soufrière, which is tatty and poor, but not without charm, and demonstrates the extreme vulnerability of many old Caribbean towns to storms and hurricanes. Some of Soufrière's shanties could be demolished with a cough. The people are nice, though: as slim as sticks of sugar cane, and not at all hustly.

Fourth snap, 12.45pm. I am riding with Glenconner, heading for his house along a track of unbelievable ruggedness. He chatters on cheerfully. "The mangoes here are very fine, you know. I believe there must be 20 to 30 species, though it is almost impossible to find anything about them in books. Do you see *that* one? That is *mango morte*. I tried it once. Its taste is said to be reminiscent of human flesh. Rather a fine tree."

> *'I am sitting in the best spot in the best location of what many people regard – scenerywise, peoplewise and otherwise – as the Caribbean's most attractive island'*

Fifth snap, 4pm. I am back at Jalousie, sitting near the beach, pondering the state of marriage, of which I have no experience. Was it diffidence, I wonder, the curse of the English, that stopped me getting married, or am I one of Nature's swingers, born to be single? What is prompting these musings is the press of honeymooning flesh parked by the swimming pool: bronzed pecs and breasts basted and sautéing.

Perhaps, it occurs to me, a marriage inaugurated and consummated at Jalousie would not die with a whimper. I snatch up a description of Jalousie's rates and packages. The Jalousie wedding, it says, is something never to be forgotten.

It says that couples that get hitched at Jalousie will receive, at no extra charge, "upgraded accommodations (depending on *availability*), a wedding ceremony (with surcharge for the attendance of officials, the rate depending on denomination), bouquet, dress (an extravagant wedding gown, created in St Lucia, is available, free of charge), decorated wedding site, cake (three-tier), cocktail reception with hors d'oenvres, gala dinner and a bottle of French champagne. Other services available for a surcharge include: professional *photographer, video services* and special dance band."

The Jalousie honeymoon also sounds auspicious: "At the dawn of each day, the couple can request a special breakfast in the privacy of their own patio by the plunge-pool. A candlit dinner for two on the night of their choice also awaits, as does a private day on a deserted beach with an exotic picnic lunch ... Each night, as the sun sets into the *Caribbean*, a personalised Good Night Treat will be in the room." Again, there is no extra charge for the "honeymoon programme."

I wander up to the reception desk. I am more than half tempted to ask to view tha indigenous wedding gown, to see if it would fit anyone I know. But my courage evaporates; diffidsnce reasserts itself. They would think me frlvolous, my inquiry half-baked. I shrink away silently, a violet in the rainforest.

Sixth snap, 5.50pm. The sun, an orb of palest gold, is propped on the horizon, about to disappear. The sea is pewter coloured. An hour ago I scrambled through the bush in search of Bupa the elephant. An extremely kind elephant. A lover of bananas. Remarkably long eyelashes. No sign of her pigs.

It has been a perfect day. I realise that I am sitting in the best spot in the best location of what many people regard – scenerywise, peoplewise and otherwise – as the Caribbean's most attractive island. I am reading *Travels With My Trombone: A Caribbean Journey*, by Englishman Henry Shukman, who tells of travelling by cement boat from Dominica to Trinidad. As they pass an ink stain above the horizon which he guesses is Martinique, a crewman approaches him and asks: "Checking de island? That Mattnick."

"Mattnick?"

"Yeah. Martinique. Dey is French." The crewman rests his elbows alongside Shukman's. "I don't like Martinique," he says.

"Why not?" asks Shukman.

"De peopla is very stick to dayself."

"Which island do yon like?"

"Saint Lucy," replies the crewman. "Saint Lucy sweet, man."

■ *Michael Thompson-Noel was a guest of Jalousie Plantation, and travelled c/o British Airways. Until April 11, rates at Jalousie vary from $240-$460 per person per night in a double suite or cottage; after that: $215-$375 per person per night per couple. Children under 12 are free if staying with parents. Children 12-15: add $70 per night per child.*

Jalousie is managed by Premier Resorts & Hotels of Miami, reservations (US and Canada): (800)-877-3643; all other countries: (305)-856-5405; In the UK, Premier's agent is Superps, tel: 071-242-9964. The resort is also listed with various UK tour operators, including Caribbean Connection, Elite Vacations, Harlequin Holidays and Happiness Islands. Jalousie Plantation's address: PO Box 251, Soufrière, St Lucia, West Indies, tel: (809)-459-7666.

Jalousie is an hour by road or boat from Hewanorra airport; apart from BA, Hewanorra is served by Air Canada, American Airlines, BWIA and LIAT. There is a smaller airport, Vigie, at the other end of the island, near the capital, Castries. The temperature on St Lucia is said to vary only between 77F-82F year-round.

Travels With My Trombone, by Henry Shukman: HarperCollins, £14.99.

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SPORT/SKIING

Year of the Olympic joke and Essex man

***Peter Berlin** reviews the cheats, the cynics and the sporting heroes of 1992*

THE SPORTING year was dominated by Juan Antonio Samaranch's little joke. In 1992 he took the Olympics to his home town, Barcelona, in the high summer weeks known locally as the *canicula* – the dog days. These are the hottest and most humid time of the year. In 1992 they were hotter and more humid than normal, the worst weather for athletes, the vast bulk staying in the unairconditioned Olympic village. It was merely uncomfortable for everyone else.

Yet everybody left praising the event. This was largely because of the hosts' efforts. They missed no detail and spared no expense. But the crowning moment of Samaranch's Olympic presidency has left his home city, his home region and his home country with debts no-one can yet bring themselves to count.

The run up to the Olympics was dominated by unpleasantness away from the track about politics, drugs and money. Most worrying were the drug scandals involving sprinters Katrina Krabbe of Germany and Butch Reynolds of the US and attendant litigation.

Yet in Barcelona all these nasty odours evaporated. The biggest drugs bust of the Games, three Britons caught by testing at home before the games, was largely ignored by the world's press. The only way to catch steroid users is with expensive and sophisticated out-of-competition testing. This is beyond the means of most developing nations and beyond the will of some of the richer ones, notably the US.

Without doubt medals at Barcelona were woo by drug cheats. The choice lay between suspecting everyone and giving competitors the benefit of the doubt. Trust won the day.

The atmosphere at the games was improved by the hosts astonished pleasure at their own success. Spain had won four gold medals in all the previous summer Olympics. In Barcelona it won 13. One of the most memorable was Fermin Cacho's charge through the field in the 1,500m gold accompanied by the swelling roar of the 70,000 Montjuich crowd.

The fans in Spain were not simply partisan. They roared every jump by US athletes Mike Powell and Carl Lewis in the long jump final. Lewis won by 3cm.

Sergey Bubka's fall from the pole vault firmament was greeted with embarrassed murmuring as the spectators politely pretended they were watching something else.

Paraskeve Patoulidou surged across the line in a tumble of bodies in the women's 100m hurdles final and then did a slow, delicious double-take as the replay showed that she had won. It was the first ever athletics gold by a Greek woman. Before 1992 white South Africans had claimed all three athletics medals won by African women. Now there were golds for Hassiba Boulmerka of Algeria in the 800m and Deratu Tulu of Ethiopia, who beat Elana Meyer of South Africa in an emotional 10,000m, and bronze for the Nigerians in the 100m relay.

Quincy Watts and Kevin Young of the US, floated round the track as if borne by angels as they broke records and won golds in the 400m and 400m hurdles respectively.

Some were memorable in defeat: Derek Redmond of Great Britain limping round the track on a torn hamstring, in the 400m heats. Brave 32-year-old Johnny Gray of the US, went for broke in his last Olympics only to be caught at the last by William Tanui and Nixon Kiptrotich at the end of an exhilarating 800m final. The warmth and generousity of his post-race press conference provided a welcome vital sign for the Olympic Ideal.

Britain's two triumphs on the track were achieved in overpowering style. Linford Christie ran away from the field in the men's 100m and Sally Gunnell did the same in the women's 400m hurdles.

Away from Montjuich, the games were dominated by the Dream Team, a group of US professional basketball stars who were there for all the wrong reasons, welcomed in the hope that some of the fame and wealth might rub off on their rivals. Maybe it will. The Dreams worked as hard at PR as they did on the court, won the gold at a stroll and allowed two of the games great stars, Earvin Magic Johnson and Larry Bird, to take final bows of their careers on the world's largest stage.

The British discovered cycling when Chris Boardman ripped to the 4,000m pursuit gold medal on his high-tech Lotus bicycle. The cycle was largely the work of Rudi Thomann, a French engineer: never mind, it still revived Britain's dimming faith in its technological wizardry.

Technological superiority lay behind Nigel Mansell's Formula 1 world championship. If Mansell had been with any other team his Williams car, which possesses far more charisma than him, would probably have won anyway. Mansell felt unappreciated and plans to race in the US. Frank Williams, the team proprietor, sent him on his way with the words: "He thinks he is a superstar, in fact, he is just a lot richer and a bit quicker than he was four years ago when he joined us."

Mansell was one of a trio of dour, awkward, men who dominated British sport in 1992. The second rather let his mask slip. Nick Faldo burst into tears after winning his fifth major, the Open at Muirfield. "I'm just an emotional little petal," he said.

The spiritual leader of this threesome is Graham Gooch, patron saint of Essex men. Gooch led his county to the championship, again, took England to the World Cup final. Gooch resisted stubbornly against Pakistan's pace pair of Waqar Younis and Wazim Akram in the tests. But England lost a thrilling series. Afterwards, Gooch dropped David Gower, hero of the last test and embodiment of the English sporting ideal of diffident public school boy, from the party to India. His place is taken by the archetypal pugnacious state school lad: Mike Gatting.

Gooch knows when to grind and when to unfurl his undoubted flair. The same could not always be said of England's other two national teams – although both showed signs of a developing sense adventure. England's rugby union team added a little flair to the physical grind on their way to another five nations championship and then dispatched South Africa on their return to Twickenham.

Meanwhile, Australia beat everyone in the southern hemisphere before popping over to Ireland and Wales for yet another triumphant tour, entertaining themselves with with a little sniping at England. They were popular tourists with everyone except Will Carling, the England captain, and Neath rugby club, whose allegedly below-the-belt tactics led Wallaby coach Bob Dwyer to dub it "the bag-snatching capital of Wales."

England's increasingly neurotic soccer team trudged to the European championships where it was the dullest and dourest of a collection of dull and dour teams. The only sunshine came from Scotland, who had the courage to play expansive soccer but lacked the nerve to score goals.

The final was a fairy tale of sorts. The Danes late replacements for Yugoslavia, beat Germany, the world champions in a style more Brothers Grimm than Hans Christian Andersen. The Germans tried to win with organisation and work rate, which the Danes had by the bucket load, rather than imagination and flair. Fittingly, the crucial goal was scored by Danish midfield clogger John Jensen.

The grand old ladies of soccer, the English Football Association, fooled by blandishments from 22 soccer chairmen, dropped its petticoats. The unwelcome offspring was the new Premier League, child of greed. However, if Norwich City, Blackburn Rovers or Ipswich Town break the long rule of the wealthy big city teams and win the inaugural title, the whole sordid affair will have had one good result.

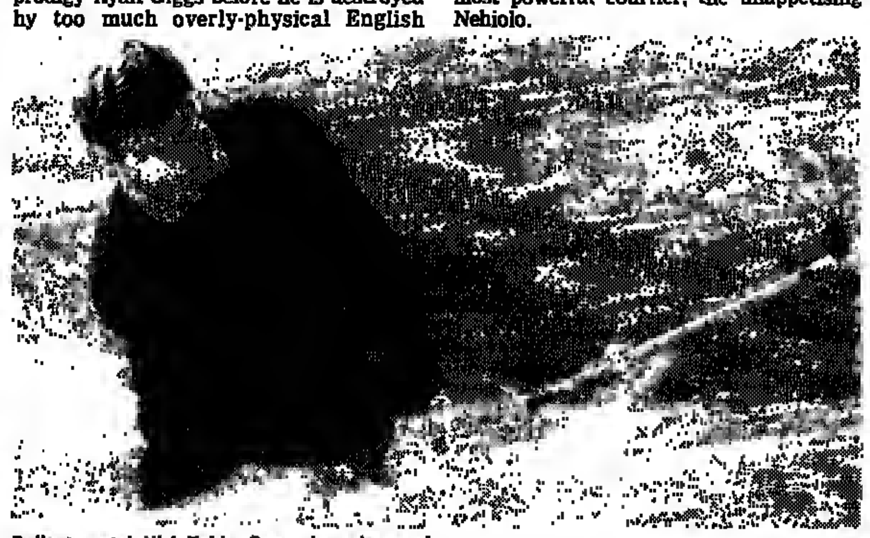
The only beacon of hope in the European soccer year has been the Italian league. AC Milan demonstrate that you can win playing stylishly and Paul Gascoigne, who raises the England team above the cynically mundane, is treated with more care than he could expect in his overworked home league. With any luck the Italians will buy the Welsh teenage prodigy Ryan Giggs before he is destroyed by too much overly-physical English soccer.

As the year ended the drug scandals re-emerged. In Reynolds' dispute with Primo Nebiolo, Nabob of the International Amateur (sic) Athletic Federation, an Ohio court awarded the runner $27.3m. Nebiolo refused to contest the case, arguing that civil courts have no right to rule on its drug suspensions. He has a point. There are many nations in which the courts could not be relied on to find against national sporting heroes, regardless of the merits of the case. But the Ohio court did not object to the principle that the IAAF should ban athletes, it objected to the high-handed way Nebiolo had dealt with the case. If 1992 has demonstrated one thing it is that a spot of purse snatching concentrates administrators' minds. If the US court forces the IAAF's corporate sponsors to hand over the $27.3m, the year's last laugh will be against Samaranch's most powerful courtier, the unappetising Nebiolo.

Taking off with a roar: Lewis flew to Olympic gold


Essex man: Gooch made England in his image


Frank Williams won the title and lost Mansell


Delicate petal: Nick Faldo, Open champion again

Tennis/**John Barrett**

Seles tightens grip on women's ranks

THE 22-year-old American, Jim Conrier, narrowly, and tha remarkable 18-year-old Monica Seles ontstandingly, were the best players of 1992. They head my annual rankings which have been unusually difficult to compile, particularly for the men.

A year ago Stefan Edberg was the best male performer and his tussle with Courier for the No. 1 ranking on the ATP tour computer has been one of the features of the year. The computer, though, does not tell the whole story. Only a player's best 14 results are taken into account. Furthermore, there is too small a differential between the four Grand Slam Championships and the other evants. Nor does it incInde the Olympic Games – a serious omission. Judgement must be brought to bear on the worth of each particular performance, depending on tha stature of the tournament and strength of the field.

Courier's two Grand Slam successes in Australia and France were not matched hy anyone else, and his dominance during the early part of the year – when he won three other titles – kept him ahead of Edberg. But the Swede had a fine year. He retained his US Opeo crown with an amazing performance of physical and mental resilience, was s finalist at the Australian Open and won two other titles.

Andre Agassi's dramatic victory at Wimhledon, his first Grand Slam success, was the season's ontstanding performance. Taken with his wins in Atlanta and Toronto, plus his cootribntion to the winning Davis Cup effort by the US, put him in third place.

It was difficult to separate Goran Ivanisevic, a left-handed Croatian who served 1,066 aces during the year, and the powerful American Pete Sampras, another 20-year old. Ivanisevic was a finalist at Wimbledon, Sampras at the US Open – both reached the semi-finals at the two season-ending extravaganzas, the ATP Tour Championships and the Compaq Grand Slam Cup. Sampras reached the last four at Wimhledon but Ivanisevic did the same at the Olympics where Sampras only reached the third round.

Boris Becker won five tournaments and although he failed at the Olympic Games, his late-season charge at the ATP Tour Championship in Frankfurt was of such quality that I place the 25-year-old German ahead of the Olympic champion Marc Rosset.

He crushed Ferreira; he annihilated Conrier, snpposedly the world'a best clay court player, he beat Emilio Sancbez in his bome town before ending the brave run of an exhausted Ivanisevic. In the final Rosset fonght back to beat the local hero Jordi Arrese in five sets.

Michael Chang won three early tournaments and, after failing to impress in three Grand Slams and the Olympics, prodnced some remarkable tennis to surge to the semi-finals of the US Open. There he pnshed Edberg to the limits in one of the year's best matches.

In the women's game it was Monica Seles first, the rest oowhere. She won 10 tournaments and in the year's great events was defeated only at Wimbledon. There it was as mocb the grunting issne as Steffi Graf's superb play that led to her defeat. It is bard to believe that this remarkably mature donhle-hander is still 18.

Graf, also the finalist in Paris, was a clear second. Her defeat in the Olympic final at the hands of Jennifer Caprlati was a terrible blow to her confidence and may have contribnted to a dismal end to the year. She fell to Sanchez-Vicario in the quarters at the US Open and to Lori McNeil in the first round of the Virginia Slims.

Sanchez was a worthy third by virtne of her insatiable appetite for work (she played a record 167 matches in 1992) and her consistency. Arantxa won two tournaments and was the finalist at the US Open. She reached the last four at the Australian and French Opens. She beat Graf at the US Opeo. Her victory over Seles was at the minor Canadian Open.

The Olympic win hy Jennifer Capriati over Graf, plus her defeat of Seles in the quarter-finals of the Lipton in March, lifted the 16-year-old to fourth. It was the manner of those wins that was so impressive – a fearless search for the lines with raking drives, plus the odd excursion to the net behind some intelligent serving.

Gahriela Sahstini hsd a disappointing year with three semi-finals the sum of her Grand Prix efforts. The prospect of ber building on her 1990 US Open win seems more and more unlikely as tbe pack of younger players closes in.

JOHN BARRETT'S WORLD RANKINGS FOR 1992
(last year in hrackets)

MEN: 1 Courier (2), 2 Edberg (1) 3 Agassi (7) 4 Ivanisevic (-),5 Sampras (8), 6 Becker (3), 7 Rosset (-), 8 Chang (-), 9 Petr Korda (-), 10= Ivan Leodl (5) & Wayne Ferreira (-).

WOMEN: 1 Seles (1), 2 Graf (2), 3 Vicario (5), 4 Capriati (7), 5 Sabatini (3), 6 Mary Joe Fernandez (6), 7 Manuela Maleeva-Fragniere (10), 8 Martina Navratilova (4), 9 Conchita Martinez (9), 10 Natalia Zvereva (-)

Skiing/**Arnold Wilson**

Hidden menace of summer meadows

JUST BEFORE the snows came in Switzerland's picturesque Grisons region, the farmers of Davos and Klosters hrought their herds of cattle down from the Alpine pastures in a ceremony known locally as *die Schwiegermutter begraben* – "burying the mother-in-law". The mother-in-law, in this slightly uncomfortable analogy, is the symbol of the barren and empty alp.

The arrival of snow changes the whole personality of a ski resort. Moat skiers rarely worry about what lies beneath the snow they are skiing on. But it is often useful for high-mountain guides to "walk" off-piste terrain during the summer or early autumn months to complement the understanding of snow conditions, depths and hidden hazards they may encounter with skiers during the winter. It is especially useful in glacier regions to gauge the extent and drift of crevasses.

Seeing a ski resort without snow can be a fascinating experience. The universally-feared Streif run on Kitzbuhel's Hahnenkamm looks almost idyllic without the layer of sheet-ice deliberately engineered to prevent racers breaking through and catching a potentially-disastrous edge. Zermatt's steep slopes are awash with colour as wild flowers delight the eye and scent the hreeze.

Like a steep-sided meadow, tbe dreaded Gotschnawang area in Klosters – where five years ago an avalanche killed Major Hugh Lindsay and cama close to engulfing his friend, the Prince of Wales – looked extraordinarily bland and innocent as tbe late afternoon sun lingered lazily on its leafy banks. It is dangerous because it is prone to avalanche rather than because it is technically difficult.

We walked up and over the great Grisons alpa between Davos and Arosa, a tour undertaken over a century ago by Sir Arthur Conan Doyle, the first Briton to accomplish this route on skis. His wife was being treated for tuberculosis at a clinic in Davos, a town that acquired a name as a centre wbere TB sufferers could convalesce.

In Conan Doyle's day, Davos was just beginning to earn its reputation as one of Europe's classic winter sports regions, a natural progression from its earlier fame as a healtb resort.

The walk is long and arduous hut the scenery, wild flowers and plants are sufficiently stirring to compensate. Occasionally we glimpsed giant ski-lift pyloos in the distance which seemed out of place without snow on the ground.

Conan Doyle made light of his epic tour in an article he wrote for *Strand Magazine* 100 years ago. "You adjust your hody for a rapid slide", he wrota, "hut your 'skl' stick motionless and over you go upon your face. Or you stop for an instant to tell a group how well you are getting on and they suddenly find that their congratulations are addressed to the soles of your 'aki' tied tightly round your neck!"

His ski tour de force was only one of many "firsts" at Europe's highest town (5,118ft) and Switzerland's largest ski resort. The first English ski club was formed here in 1903 and the world's first tow bar wss huilt by a young German engineer, Gerhard Mueller, with the help of some old motor cycle parts.

In 1931, the first funicular railway specifically for skiers was installed up to the Weissfluhjoch and three years later Erich Constam installed tbe world's first "proper" drag lift. Some of Europe's first recreatiooal skis were tried out here, too.

A pair found their way to Davos from Norway and the village carpenter set out to try to make duplicates.

Some of the local youths tried them out and struggled manfully to control them, in spite of their vast length and lack of edges.

Although it is famous principally for its Parsenn mountain (skiing up to 9,300 ft), the loog run down to Kuhlis and beyond (14 km) and the exhilarating Derby run down to Kublis or Klosters, Davos has a wealth of skiing spread in almost all directions. There are five main ski areas – Parsenn, Jakobshorn, Rinerhorn, Schatzalp/Strelpass and Pischa, with almost 90 runs between them totalling 320 kilometres of pistes.

The Madrissa side of Klosters provides gentler skiing and an opportunity to make moderately easy tours into Austria's Slivretta region.

Tbe Parsenn/Weiasfluh slopes provide the heart of the Davos skiing, linking with Strela above Davos Platz and the Gotscbna area above Klosters. There are loog, picturesque and oot particularly dlfficult runs fanning out in almost all directions.

Some of the oortb-facing runs down to Klosters are testing, particularly Drostobel. And, of course, there is always tbe Wang. If it is open, ski it. If it is closed, stay well away.

As for the tour to Arosa, lt is doubtless easier, cbeaper and safer in summer than winter. After all, climhing on skins is much more difficult than bounding up in decent walking boots.

■ *Arnold Wilson travelled up ond down the mountains between Davos and Arosa on skis in winter and on foot in summer as o guest of the Swiss Travel Service. Bridge House, Ware, Hertfordshire SG12 9DE. Telephone: 0920-463971.*

PROPERTY

US development with a Scottish accent

***Audrey Powell** reports on a group of holiday properties near Florida's Vero Beach that is attracting the attention of British investors*

One of the semi-detached homes in St Andrews Village, Florida

AN ENCLAVE of 46 properties is being built above Vero Beach on the north east Florida coast - and the accents are more likely to be Scottish than American. For this is St Andrews Village, 12 acres of land between the coast and the inland waterway. The site was found by Len Scullthorp who, with his son Brian, is a partner in Edinburgh-based St Andrews Properties, which is developing the village.

The Scullthorp family plans to keep a corner for its own holiday home and build houses and apartments for sale on the rest of the land.

The first properties are just coming on the market and have been attracting the attention of Scots, although all buyers are welcome.

Both Scullthorps are chartered accountants - the son has also become a qualified real estate agent in Florida.

Until now the company has been converting and renting holiday properties in three complexes of farm buildings in Scotland.

Drawing on this experience, it is developing its first overseas project and the first in which it will sell the holiday homes.

The family's group of companies in Scotland, which includes a travel agency and a selling and rental agency, is able to assist buyers.

The site, in Brevard county, is 90 minutes' drive from Orlando's international airport and has an attractive range of entertainment attractions, headed by Disney World.

Vero Beach does not have an obvious tourist image. It is a waterside district of expensive homes screened from broad grass-verged roads by banks of shrubs and palms.

Residents, in appropriate transport, cruise along the 55-mile limit roads or the waterways running parallel with the coast. You rarely see anyone walking.

There are boutiques, hypermarkets and the Windsor polo club. The development company claims a year-round season, with European visitors in summer and north American visitors avoiding the harsh weather in winter.

The village is to have a choice of property types.

There will be a row of garden homes - pairs of single storey three-bedroom, two-bathroom houses, with multi-level roofs. They are designed so that each pair looks like a single detached house. Front doors are on different sides, so that no property overlooks the other's entrance.

With construction going ahead, they are now being offered on the market. They have large living rooms with vaulted ceilings, sizeable kitchens behind breakfast bars. Florida's favourite room, the gauze-walled lanai, that keeps off insects and the strongest of the sun's rays, forms an extension of living areas. There are integral garages.

Later, across the winding road running through the estate, there will be two-storey detached family houses.

But before that the Carriage homes will be available.

These are also an ingenious design by the Evans Group, an architectural practice whose ability to create interest through variations in ceiling heights and roof shapes has become a trademark.

These properties are two, two-storey pitched-roof blocks, each with eight apartments.

They have two or three bedrooms and two bathrooms, living room and lanai. Each has its own separate entrance and garage within the block.

Each apartment looks on to the Indian river waterway, getting the full benefit of sunsets.

In keeping with today's environment consciousness, the company uses aluminium studs in the construction, which it says saves timber.

Some of the area available for development includes land used as a breeding ground by sea turtles. That part of the cabbage-palm and scrub-oak covered land is being left untouched.

The estate will have a lake, communal swimming pool, boat dock and fishing pier. An adjoining larger development has a tennis club that St Andrews residents can join.

There are golf courses within easy reach. The estate will be gated and have on-site management.

St Andrews Properties will handle renting for owners if this is required. Property prices range from about £75,000 to £100,000, depending on the exchange rate. Related expenses will average about £300 a month.

Foreigners cannot normally spend more than six months of a year in the US.

The company suggests that this rule, where it applies to the retired, may be eased in four or five years, but other people are not quite as optimistic.

Assuming a buyer took a 70 per cent mortgage, which should be possible, and allowing for costs including a furniture package, total funds required initially could be from £32,000, according to the company's estimates.

It suggests other financing options, including shared or company ownership.

St Andrews Properties is prepared to market rentals through its connections in Florida, Canada and estimates owners could break-even on finance and property costs from about 50 per cent rental occupancy.

■ Further information from St Andrews Village, Florida, tel 407 952 5298, or in the UK from St Andrews Properties, Edinburgh, 031-552-0666.

■ A large choice of developments are offered as holiday home-cum-investment deals in Florida and there is a lot you should know before you buy. Some areas have restrictions on short-term letting - although not Brevard county - and the competition is intense.

Lindsay Cameron, director of the trade and investment division of Florida Department of Commerce, in London, says Florida is not quite as aggressive as California in that respect.

But people who take a Florida holiday and decide they want to buy and let, should not rush into anything.

Certainly they should not plan to build themselves, without information about the zoning and planning laws.

These aspects are becoming a lot tougher, says Cameron. It could prove very costly and time-consuming putting right a wrong choice.

Too many people in holiday mood do not do the sort of checking they would if buying a property at home. Talk to knowledgeable people in the district, before you make a decision, advises Cameron.

There are local chambers of commerce in all areas. They will recommend a responsible broker, or property lawyer, to guide you.

هكذا من الأصل

BOOKS

When Puccini threw away his zucchini

***Anthony Curtis** gives his verdict on the Christmas literary competitions*

CLERIHEW-composing can easily become an addictive occupation, as many competitors confessed. "Once one has started," said Christopher Myine, "it is difficult to stop thinking up silly rhymes to fit – though I admit to being defeated by Tchaikovsky..."

The task, you will recall, was to make up new clerihews about composers and musicians. Mr C. Thwaites reminded me of "an oldie but goodie" – *Jules Massenet/ Never wrote /A Mass/ In A.* And Mary Holthy remembered from childhood another vintage item – *Palestrina/ Wrote a concerto for the concertina/ Which Monteverdi/ Orchestrated for the hurdy-gurdy.*

No one thought of including any of my music critic friends on the lines of this one, c.1930: "*Next week*", *said Ernest Newman,/ "It will be Schumann"/ But when next week came/ It was Wagner just the same.*

I had to stop counting the number of times conductors such as Henry Wood or André Previn or George Solti (another difficult rhyme) *sat on/ the baton*; or the occasions when *Maria Callas/ sang in Dallas*; or when some poor composer *could not hold n candle/ to Handel*. *Pavarotti* was frequently *grotty*, and quite often *dotty*, and there were unkind observations as to the size of his *botty*. Nigel *Kennedy* was more often than not discovered playing a *threnody* with the aggressive termination from Freda Smithson of *an over-ripe tomato/ interrupting his pizzicato*.

Johann Sebastian Bach/ always got up with the lark (Dian Shervinton), or if not, he *sat in the dark* (W. Roll) but that – as more than one entry pointed out – did not curtail his procreative prowess. In contrast, *Mahler sat in the parlour* (E Clifford) whereas *Bizet/ sat on a bidet* (Garhls Haddad), *Scriabin/ made an awful din* (Graham Greene), *Souza was/ a bit of n boozer* (Andrew Stark) and *Liszt* was frequently *hissed* (B. Miller) and often, of course, *kissed*, and on at least one occasion *pissed* (Ranald Boyle).

No cookie was shrewder, rhymed Eve Turner neatly, *than Buxtehude*. *Sir Arnold Bax Had no FAX* (Brian Capon) (they had not been invented); *Placido Domingo*, *was* said by Henry Moxon, *to be always lucky at bingo*, but, added Anthony Brown, of that game *Kiri/ Is weary*. *Hugo Wolf/ played golf* (Peter J Andrews), *Humperdinck/ had rum to drink* (Robin Fuller) and *Schumann* was *only human* (Bernard McGinley).

Over fondness for pasta seemed to be the main affliction of Italian musicians. *Donizetti* was addicted to *spaghetti* (O.V.S Heath), *Boccherini* to *fettuccini* and *tortellini* (James Robertson) and *Stefan Grapelli* to *tagliatelli* (Steven Berry). *Puccini*, however, suffered from baby marrows and *threw away his zucchini* (Simon Hubbard-Ford).

Duke *Ellington's penchant* was somewhat implausibly for *wellingtons* (Catherine Presswood), but Shirley *Bassey* had, more realistically, *an eloquent chassis* (Sylvia Trump) and one that is *classy* (Eric Pearce).

Several people had *James Galway* either leaving or not leaving *his flute in the hallway*. D. Rhys-Williams envisaged *Neil Kinnock* in a dispute over Early Music with *Trevor Pinnock*. And *Isobel Baillie/ Raised high notes gaily* (W.J.D Scott).

It was Peter Read who, *when he switched on the Beeb*, ingeniously *listened to the strains of Delibes*. *George Formby*, we are assured by John Adams, *once passed through the village of Quarmby*.

No one found s convincing rhyme for *Kanawa*. Nor for *Rameau*, who was learnedly celebrated by William and Jo Godfree (though this year is not, as they seemed to think, the 300th anniversary of his birth in 1683). *Brahms* appeared to be a favourite with the *Thane of Glamis* and also to have *qualms/ When Joachim/ offered to have n go at him* (Sir Toby Weaver).

Monica G Ribon voiced a universal dilemma when she asked *Does Turandot/ Rhyme with "forgot"/ Or is it Turandot/ As in "I don't know"? Chopin* was *hopin'* (ouch!) *to play with one hand/ on George Sand* (Katie Mallett) and *Tristan* told *Isolde/ "You don't look a day older"*... (David Hussey). Both Eve Turner and Prudence Raper had musicians taking *Valium* before embarking on *Spem in Alium*.

The problem in many cases was the second couplet. So often a brilliant beginning had crashed into bathos by line four. It is much more difficult to compose s memorable clerihew than it looks. Perhaps the trick is not to try too hard for your punch-line but just let it come naturally of its own accord. Anyway, £30 each to all those whose clerihews are printed below. They are the joint winners.

CLERIHEWS CON BRIO

Pergolesi
Doesn't send me crazy
But he's a better composer
Than Cimarosa.
(Ambrose Streatfeild)

Harriet with icy look
Told Berlioz to sling his hook.
He then composed the *Symphonie Fantastique*
In utter pique.
(Rick Watson)

Benjamin Britten
Liked to have his ears bitten
By Peter Pears.
Poor old dears.
(B I Straton-Ferrier)

The future of jazz got darker
With Charlie Parker.
It finally sunk
With Thelonius Monk.
(Philip Skelsey)

Beniamono Gigli
If be ware feeling cigli
Sometimes went a bit wobbly
When singing *La donna e mobile*.
(Mrs Jean Platt)

Elton John
Goes on and on
He's not so funny,
But oh! the money.
(Donald Lloyd)

Maria Callas
First signed for Crystal Palace
But they let her go
To Milano.
(Ken Turner)

Peter Cornelius
Was only a three quarters genius,
But his *Barber of Bagdad*
Wasn't half bad.
(Garfield Black)

de Sylva, Brown and Henderson
With only their suspenders on
Danced in the street for joy
At writing *Sonny Boy*.
(Peter Marks)

Julian Bream
Dreamed a dream...
Lute stolen in Cuba
Replaced by s tuba.
(Alastair Norton)

Dorian Gray by Michael Ayrton

FOR our second competition you were asked to send an extract from the obituary of any fictional character. The deadpan style of the obituarist – is not difficult to mimic. Many of the many attempts managed it all too convincingly.

Subjects for burial began with legendary and biblical figures such as the Devil, Methusaleh ("... born into one of the oldest families on record ... was just at the peak of his career" – Marius Szafianski) Achilles, Jonah, Grendel's Mother, the Ancient Mariner ("... although suffering from a withered arm, his eyes never lost their glittering power" – J E Smith).

King Arthur, Ulysses, Don Quixote, Brunnhilde ("Following her husband's tragic death in s mugging incident, her name was romantically linked to that of Gunther the Gibichung." – Anthony Lyman-Dixon), Gandalf, The Pied Piper ("In an inspired career move, he became a pest control officer for the Weser valley" – Mrs H. C Lee). The Wife of Bath ("It is heartening to think that our sister's long battle with the Orthodontists is now over" – J McCormick), were popular obituarees.

Julian Bream Dreamed a dream... Lute stolen in Cuba Replaced by a tuba.

There were contemporaries such as Adrian Mole ("Although only in his 14th year, Mole's perceptive analyses of family life and the strains implicit in modern marriage, minutely chronicled as part of his daily observations, will be immensely valued by future researchers" – D A Prince), Horace Rumpole and Lord Dixon of Dusby Park ("Popularly known as 'Lucky Jim' he made a significant contribution to the dissemination of higher education" – Peter Knight).

Characters from crime fiction were also popular candidates with Sherlock Holmes, hotly pursued gravewards by Moriarty, Miss Marple, Poirot, Peter Wimsey, and several James Bonds.

Shakespeare was a prime source. Lady Macbeth "was a legendary hostess. Dinner parties at Forres, begun with a sonorous knocking on the South Chamber door, were eagerly attended by luminaries from every shade of the political spectrum" (Guy Thomas).

Evelyn I Stark told us that: "Financial circles were shocked to learn yesterday of the murder of Polonius in what appears to have been a case of mistaken identity. His 'Neither a borrower nor a lender be' speech, known as the 'Elsinore Document' ... has recently been adopted by many treasury officials and advocates tight control of the money supply."

S L Valdez chronicled the last days of King Lear: "After fierce arguments with his daughters, the king declared himself homeless and applied to Berkshire County Council for assistance on the grounds of former residence in Windsor. When this was turned down, the king joined fellow subjects in Windsor Great Park's 'cardboard city' during the worst of the winter storms and later collapsed".

Dickens also inspired some brave efforts – Oliver Twist, for example: "From the earliest he scandalised devoted carers by his excessive gluttony; then in his first employment, not only bullied his fellow workers, but left without heeding statutory notice requirements" – Ken Turner.

There were several shots at Heathcliff with a noble attempt at his family tree from John Rosselli. Then we had Bloom; Stephen Dedalus – "... blown up and killed by a terrorist bomb which he was about to plant in the lobby of the Gresham Hotel in Dublin" – Shedden Alexander; Goldfinger; Anna Karenina; Mr Collins "... distinguished by his opposition to women's ordination" – Mrs Patricia C Atkinson; both Dr and Mrs Proudie; Albertine in one massive Proustian sentence (Alan Leslie) and many Bertie Woosters and Billy Bunters (see the example below).

Even more persistent were figures from nursery rhyme and children's literature with the death of Cock Robin way ahead at the top followed by Snow White, Peter Pan, Peter Rabbit, B.B. Wolf, Miss Piggy, Noddy, Humpty Dumpty – "he was a good egg" (*passim*).

In fact, there was such a wealth of talent that the task of choosing the eventual winners was even more fraught than usual. However here goes – £50 each to those whose entries are printed below. They are joint-winners, and thanks to everyone for a *splendid record-breaking entry*.

RIP

SHYLOCK

Shylock was perhaps the most innovative financier of his time, and his influence put Venetian capital markets on a more regulated footing. In an era of speculative excess, when venture capital was frequently provided on an "old boy" basis, Shylock, a relative outsider, introduced loan financing by way of the fixed-interest bond. His creative flair, however, was seen to most effect in his novel penalty clauses, which gave the bondholder an exceptionally strong incentive to redeem the bond at the due date. These instruments became known as "funk bonds".

His career ended controversially, in the so-called "Balthazar Affair" (named after the famous disappearing barrister), when Shylock's commercial logic proved stronger meat than the business community of the day could stomach. There are many, however, who believe that his trial verdict was unsafe.

(Noel Petty)

CAPULET/MONTAGUE

The dangers of drug abuse have been highlighted this week by the tragic deaths of teenagers Juliet Capulet and Romeo Montague. Fourteen-year-old Juliet had apparently undergone a form of marriage to Montague against her father's wishes and she went into s coma as a result of a strong barbiturate, taken deliberately to feign death. Young Montague was unaware of her action and took an overdose. Upon waking from the coma Juliet took her own life. The role of the church in this sorry affair is somewhat dubious as it seem the drugs were supplied by churchmen. The Vatican has promised a full inquiry.

(Mrs A D Woodhouse)

MR DORIAN GRAY

The death has been reported of Mr Dorian Gray of *Mayfair*, the well-known bon vivant and patron of the arts. He was discovered by servants at home, apparently having suffered fatal injuries whilst attempting to repair a previously unknown portrait of a young man, possibly a relative. Altbougb Mr Gray was well known in his role of aficionado of tbe theatre, opera and the srt world, little was known about his background. Even *his* age was *closely guarded* secret.

(C B Hurst)

SIR WILLIAM BUNTER, KBE, MP

The death of the former Chancellor, Sir William Bunter, has shocked everyone, especially a surprising number who enjoyed a friendship going back to Oxford and even Greyfriars.

Throughout his comparatively short life he remained irrepressibly optimisbc, whether over an expected postal order or the green sboots of economic recovery.

Sir William's career was not without controversy, both trivial, involving tuck-sbops and off-licenses, and of more moment concerning the acquisition of public funds for private use, for example, when his problty was questioned, but always he contrived to extricate himself from a situation that might well, to a lesser mortal, have spelt disgrace.

(R.G. Snoxell)

CHRISTIAN

Our neighbour Christian will come no more amongst us, Owing to a burden on his back, be had some frenzy-distemper which drove him to seek a Kingdom where he would bave a Crown of Glory and be clothed witb Immortality.

We saw him afar fall into a slough, but he dragged himself out and passed through a wicket-gate. Tbere were lions in the patb, a foul fiend, Apollyon, a Fair wherein were many vain persons, and he in danger of execution, Destb's sbadowy Vale snd Giant Despair's Doubting Castle...

After so vile a journey he crossed a deep river and thence came to a city filled with Trumpets and Harps and Streets of Gold. But he that hath told us of the Pilgrimage hath lately confessed "'Twas but a dream". Christian is surely lying beneath those waters whither we have no stomach to follow him.

(K.P. Hopkinson)

MR S. GRUNDY

The premature death of Solomon Grundy was widely mourned by his many relatives and friends. His rapid and brilliant maturation was due to diet – a lesson to us all.

He was born on Monday, christened on Tuesday *and remained a life-long* Anglican. At an unusually early age, he was married on Wednesday. This was an enduringly hsppy union, despite adverse comment from some sections of the press.

An obscure disease overtook him on Thursday. His condition worsened on Friday. Every effort was made to save him, hut be died on Saturday. Full of honours, he was huried on Sunday.

He is survived hy his childless widow.

Beatification is in progress.

(A G Cheston)

Art for rich and poorer

Susan Moore reviews a highly varied crop of books on art

THIS WINTER has seen the launch of two new series of decorative arts books, impressive In quite different ways. A massive 30-vnlume survey of the arts of Islam opens witb three opulent volumes on Qur'ans, *The Abbasid Tradition*, *The Master Scribes* and *After Timur*, intelligently produced and sumptuously illustrated (Azlmuth Editions in association with Oxford University Press, £135 each). This exceptionally ambitious, snd heavily subsidised, series catalogues the entire 20,000-piece collection of Dr Nasser D. Khallli - at a cost of £5m.

At the other end of the financial scale is Walker Books' deligbtful new Decorative Arts Library. Bevis Hillier offers an entertaining romp tbrough *Early English Porcelain*, unable to resist including the tale of the Blake family who ordered a dinner service from China decorated with their coat of arms. When the porcelain arrived they discovered tbat on every piece tbeir family motto, Think and Thank, had been painstakingly rendered Stlnk and Stank.

Laurence Whistler contributes *Point Engraving on Glass*, Emma Tennant *Rag Rugs of Englnnd nnd Americn*, and Alan Powers *Modern Block Printed Textiles*. These attractiva small books cost £9.99 each,

Anna Maria Massinelli and Filipp Tuena bave schieved on paper wbat would be seventb heaven in an exhibition. *Treasures of the Medici* (Thames & Hudson, £24.95) re-unites the fabulous jewels and *objets d'art* amassed over 300 years by 10 generations of Medici, bankers who were the unoffical royal family of Florence. For Lorenzo the Magnificent, the 5th centenary of wbose deatb this superbly illustrated book commemorates, his antique cameos and sardonyxes were of incomparably greater value than any painting hy Fra Angelico or Botticelli.

Monlque Rlccardi-Cuhitt's compendious *The Art of lhe Cabinet* (Tbames and Hudson, £36) offers a history of the cupboard or cabinet in which such precious curios were housed. Furniture plays an important role in Alexander von Vegesack's illuminating *Czech Cubism* (Laurence King Puhlishing, £40). This fascinating journey into bitherto uncbartered waters reveals how a group of avant-garde arcbitects in Prague translated the art of Braque and Picasso into s new – *almost angrily animate* – formal language of architecture and the applied arts, characterised by sharp angles, cut-off corners and boldly sloping planes.

Five books on the 19th century focus on the forgotten and *the familiar*. Poul Vad presents s welcome biography, the first in English, of one of the most remarkable and individual painters of the 19th century. *Vilhelm Hammershoi and Danish Art nt the Turn of the Century* (Yale University Press, £45) is a sensitive and scrupulously researcbed book, ill-served by a lamentable translation. The author has uncovered a great deal about tbe life of this most private of painters but perhaps devotes too mucb space to lengtby anslyses of individual works.

Janis A. Tomlinson's *Goyn in the Twilight of Enlightenment* (Yale £29.95) is a complex and sopbisticatad book that attempts to cut througb tbe Goya mytbs and to examine afresb a great painter's acblevement against tbe historical background that so profoundly affected it. Far more straightforward is the handsome *Degas Pastels* by Jean Sutberland Boggs and Anne Maheux (Thames & Hudson, £45).

Degas also takes a bow in *Beyond Impressionism – the Naturalist Impulse in European Art 1860-1905* by Gahriel P Weisberg (Thames & Hudson, £38) but he plays only a bit part in this truly international resurrection of dead reputatlons. Thls ls a glimpse through the looking-glass into a world where Bastien-Lepage – not Manet, Monet or Cézanne – ls king. A long overdue alternative history of 19th century European art.

Charlotte Gere's *Nineteenth Century Interiors: An Album of Walercolours Watercolours* (Tbames & Hudson, £28) is a record of what must have been s deligbtful show at the Frick Collection, presenting over 60 faithful view of European interiors, from the grandest to the most bumble.

Now tbat *annus horribilis* has drawn to a close, the present owner may well console herself by curling up with Christopher Lloyd's *The Royal Collection* (Sinclair-Stevenson, £25), a fuller-bodied version of *what has proved to be an admi*rably lucld and ungimmicky television series.

Children's books/**Michael Glover**

Pick of 1992

HERE is tbc complete list of FT Children'a Books nf the Month for 1992.

January – *The Future Telling Lndy* by James Berry (Hamisb Hamilton, £8.99). A delightful collection of stories set ln Jamaica by a distinguished Caribbean poet.

February - *Swan Sister* by Annie Dalton (Metbuen, £8.99). A fantasy about a cbllds's abduction by swans set on the Suffolk coast.

March – *Chnrlotte Sometimes* by Penelope Farmer (Tbe Bodley Head, £8). A school story in whicb Charlotte, a new girl at ber boarding scbool, is projected back ln time and finds an unexpected soul-mate.

April – *I Saw Esau* edited by Iona and Peter Opie (Walker Books, £9.99). A collection of school rbymes, some dating hack many centuries, Illustrated with gusto by Sendak.

May – *Burning Issy* by Melvin Burgess (Andersen Press, £6.99) Witches threaten the stability of a local community in 17tb-century Lancasbire.

June – *A Bone from n Dry Sea* by Peter Dickinson, (Gollancz, £10). An Intellactually cballenging mingling of past and present: an archaeological dig in present-day Africa; the dawning of consciousness of a tribe of humanoids...

July – *So Far From Skye* by Judith O'Neill (Hamish Hamilton, £8.99). A historical novel, set in the 19th century, that describes the forced emigration of Gaelic-speakilng families from Scotland to Australia.

August – *The Magnificent Catlisto* by Gerard Benson, (Blackle, £5.99). An excellent first collection of cbildren's verse: urban poems; puns; animal verse; Lear-like nonsense.

September – *The Invaders* by John Rowe Townsend, (Oxford, £8.95) A small, lsolated island community is under tbreat from terrors of the present.

October – *The Great Elephant Chase* by Gillian Cross (Oxford, £8.99). A hectic journey across America wlth a circus elephant.

November – *J.M. Barrie's Peter Pan* presented by Eleanor Graham and Edward Ardizzone (Hodder and Stougbton, £12.99) Peter Pan re-told in novel form for children of six and above.

December – *The Arabian Nights* hy Brian Alderson, illustrated by Micbael Foreman (Gollancz, £14.99) Timeless tales of magic and wizzardry in a freshly accessible form.

Hungarian feast

THE translated English (hy Imre Goldstein) of George Konrád's *A Feast in the Garden* (Faber and Faber £14.99, 395 pages) is rich and lively. This work is copious in every way, s *magnum opus* by one of Hungary's leading sutbors here, as he puts it on his second page, "sentenced to examine myself. To dissect myself in the morgue of my own conscience." The analysis is complex and difficult, full of vigorous reflections on fiction and morality, and takes the *form of a kind of phantasmagoric* symposium in wbich tbe author and the central figures of his world gather at a feast in his Budapest garden re-live, eacb in his or her own person, their llves as affected by the Nazi occupstion of Hungary. Much of it is harrowing, yet the overall mood is life-affirming, and Konrád is able to luxuriate in his book's ingenious and prismatic structure.

Paul Driver

STATE OF THE ART

Raiders of the cultural past

Post-modernist directors reconstitute old themes and call the result deconstructionalism, say our critics in the second part of the series

Cinema: hopelessly infatuated with its own image

Nigel Andrews explains why post-modernism has become crit-speak for narcisism

THE WORLD of art-critical jargon today resembles one of those surreal *lumber rooms* in a Giorgio Di Chirico painting. Across the floor weird constructs like "deconstruction" gaze at sinister compounds like "post-modernism." In a corner, obscure once-meaningful diagrams gather dust. On a chair sits a tailor's dummy, bereft of the tailor's creations that once gave it life and purpose.

But occasionally in a Di Chirico painting something real or organic peeps through – a flower, a human hand – to bestow a telling irony: to remind us that there *are* still traces of life as we know it. Just so, the prolix usually co-exists with the real and simple – however much it tries to camouflage them.

Post-modernism in the cinema has now become camouflaging crit-speak for a very simple concept: oarcissisoi. Back in the 1970s and '80s movies snch as David Lynch's *Blue Veloet* or Brian De Palma's *Dressed To Kill* in America, or Fasshioder's films in Europe, might have been justly graced with terms from the post-modern lexicon like "ludic", "eclectic," "self-reflexive." They gazed in the mirror of popular culture past and present – not just cinema hut novels, pop art, TV – aod suhtly, sardonically plucked meaning from reflection and allusion.

But the habit has oow spread from semi-fringe film-makers to mega-hudget directors such as Tim Burtoo (*Batman*, *Batman Returns*) and Francis Coppola (the new *Dracula*). The art of suhtle invocation has turned into the art of show-off quotesmanship. The *Batman* movies, especially, are megaliths of compressed cultural hricolage: plundering their invocations *from* old movie styles (James Whale), Gothic Edwardiana (Edward Gorey), Saturday matinee serials and tha revamped *Batman* comics themselves. Originality begins to die a slow death on the altar of *hommage*: which is, as we know, a French word for plagiarism.

Today the cultural pay-off is becoming clear. Too often the consequence of gazing too long in the mirror is a hopeless infatuation with ooe's own image.

This year we have had movies recycling hygone *film noir* styles: from *Light Sleeper* to *Alien 3*, with *The Public Eye* and *Night And The City* due in the new year. We have had films abont film-making (*Barton Fink*, *Bugsy*, *The Player*, *Chaplin*). We have had European films holding tribunal on the century's audio-visual culture, from old movie styles to recent movie/video developments (*Europa*, *Until The End Of The World*). And for British film-makers like Tereoce Davies (*The Long Day Closes*), Derek Jarman (*Edward II*) and Peter Greenaway (*Prospero's Books*), no film is complete without a built-in concordance of references to cinema and/or its companion arts.

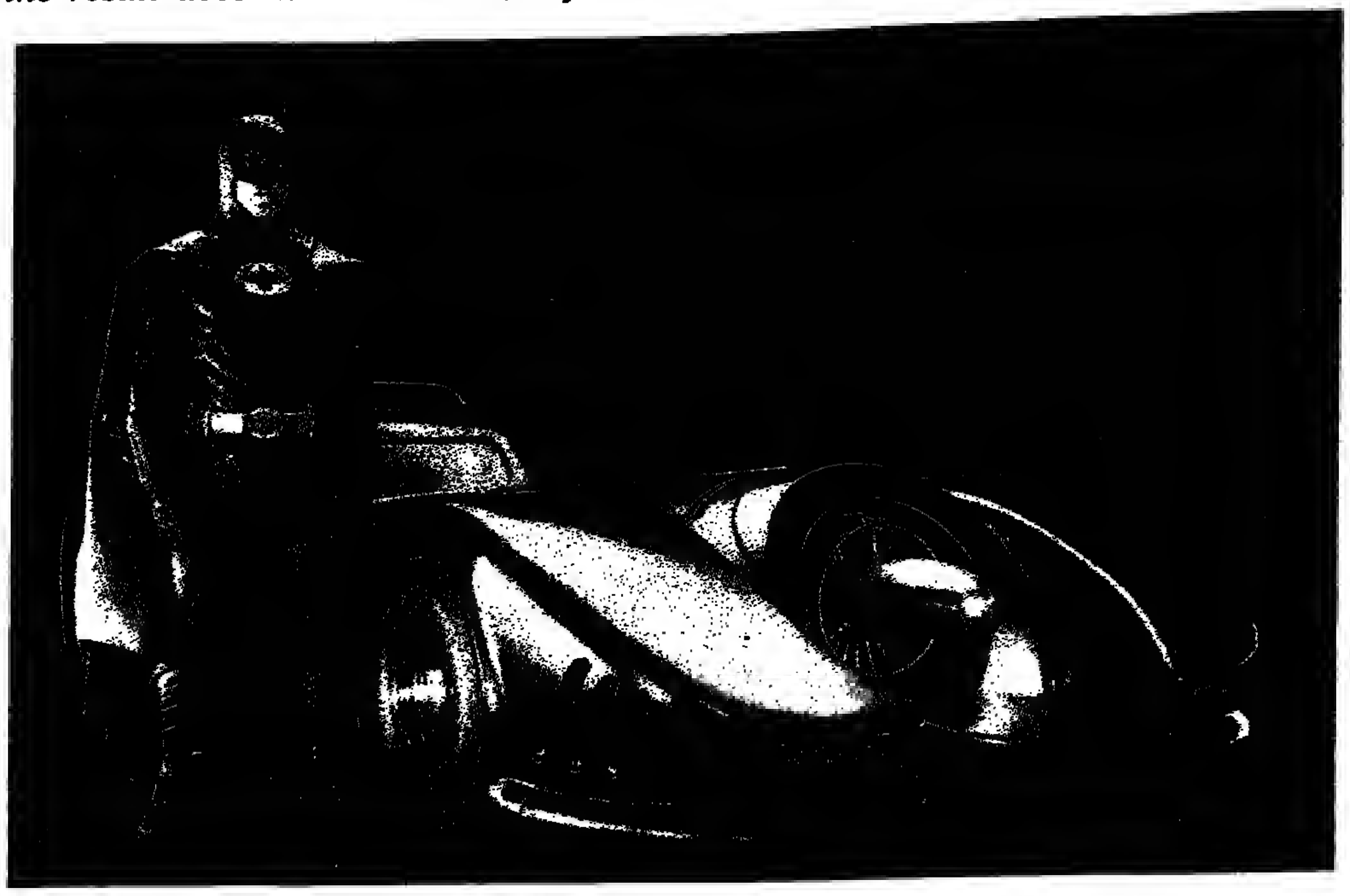
Not all these works are bad. Indeed some are good. But the trend's spreading dominion disturbs. We could dismiss it as *fin de siècle* stock-taking: a century's natural instinct as it closes down to count the hills and mark the ledgers. (For changing millennia, multiply this by ten). But first: who wants another eight years of aesthetic auto-erotism at the movies? And second: how do we know that the cinema, once hung op on its own image, will get nn-hung as soon as we reach 2000?

There are two main kinds of narcissism practised today: active and passive. Tha active is marginally less perilous because at least it knows what it is up to. Taking past movie styles, it either processes them into multi-referential camp – Lynch's *Wild At Heart* (cruder than *Blue Velvet* but at least self-aware), Baz Luhrmann's *Strictly Ballroom*, Tom DiCillo's *Johnny Suede* – or uses them as overt commentary on a modern story (*The Long Day Closes*).

Then there is passive narcissism. Thriving in the commercial sector, this is the short-memory self-love that produces, almost without thought, lazier and lazier theme-and-variations packages. The motto of these films is: Close down mental enterprise and lull the senses with familiar signals. From the makers of *Lethal Weapon* and *Batman* here come *LW3* and *B2*. From the makers of *Aliens 1* and *2*, here is Old Scaly Clsws in space again. From the makers of *Home Alone*, here is another date with the kid who keeps losing his parents.

The audience approves of this studio laziness because it too likes a lazy time. You do not have to dress up so much on a second date, and all the introductory small talk was got over on the first one.

But then with narcissistic romances you do not really have to dress up at all. Modern cinema is in danger of becoming a hall of mirrors in which filmgoers and film-makers alike can gaze into an endless vista of self-gratifying, self-imaging sameness. An art for which the mirror, in great cinematic hands, was once an eerie leitmotif that deceived, distorted or seduced – in Welles, in Losey, in Lang, in Cocteau's *Orphée* – now shows signs of falling headlong into its reflective, oblivion-inducing depths.



Batman: gazing lazily into the mirror of popular culture past and present

Alastair Muir

Tony Harrison's 'The Trackers of Oxyrrynchus': axemplifies post-modernism by successfully incorporating trash into a work of art

Theatre and Dance: deconstructionism without tears

To apply academic talk to trash gets nobody anywhere says Alastair Macaulay

ENGLISH theatre is still a terrain remarkably innocent of intellectual parlance. The word "deconstructionist" is applied far less often than in opera; the words "post-modern" and "post-modernist" less ofteo than in dance. In fact, the dominant buzzword of the day is "accessible" – a word anti-intellectual in its implications.

This reflects the amount of popular entertainment – and unsubsidised theatre – around. (Our public is less worried hy whether a show is new-wave, academically hip or politically correct than by whetber it is just a good show, and in that sense our public it has its heart io the right place.) But it also reflects the traditionalism, even insularity, of the English. More Pinero than Brecht ls still heing played. The many excellent features of British theatre are almost all traditiooal virtues. But can there be post-modernism on terrain where modernism has hardly taken root?

To some exteot. People have tried slapping the label "post-modern" on West End shows such as *Phantom of the Opera* and *Miss Saigon* – "post-modern" in their Trump Tower mixture of lavish production values and populist entertainment – hut it does not really stick, *mainly* because to apply academic talk to such trash gets nobody anywhere. "Post-modernism" is exemplified not by trash (however appealing) but by works that ecletically incorporate some features of trash – hontique art, glitz design, democratic accessibility – into a conscious (often historically conscious) work of art.

An obvious example is Tony Harrison's *The Trackers of Oxyrrynchus* (National Theatre, 1989). This was a highly knowing work, using the old satyr plays of the Greeks as a platform on which to discuss the importance of popular entertainment within high art. The satyrs were Priapic (with huge phalluses heaming up from their loins) and pop (they tap-danced heavily) and they made a point about the way that modern theatre has been divorcing low culture from high culture. As with so many post-modern works, there was something of an art-history lecture about it. f would say that to the extent one was made conscious of this, *Trackers* failed as art; hut thereby hangs a debate too big for this space.

"Post-structuralism" occurs where the unquestioned premises (usually sociological) of one tale are qnestioned or revealed in another, or where an existing work of art, or art form, is framed and examined within another. A simpla instance is Tom Stoppard's *Rosenkrantz and Guildenstern are Dead*. A remarkable work *of theatre* in itself, its *basis* is that the story of *Hamlet* is occurring, mainly to other characters, just around the corner; and so it leads you to re-examine issues tbat, in making *Hamlet*, Shakespeare took for granted.

An increasing number of plays today are about missing characters in famous works of art (Helen Cooper's *Mrs Vershinin*), real artists and their critics (Alan Bennett's *Kafka's Dick*, the other people involved in the creation of art (the T.S. Eliot play *Tom and Viv*), or the whole culture surrounding the creation of art (Timherlake Wertenbaker's *Three Birds Alighting on a Field*). All of these qualify as post-modern; all of them involve soma measure of both structuralism and deconstructionism; and most of them are rooted in feminism – the most widely influential "new" factor in the creation of art today.

★

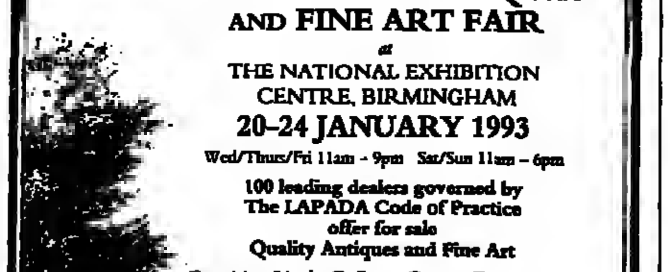
Is there deconstructionism without tears? Yes – and in dance. Just watch *The Hard Nut* – tbe choreographer's Mark Morris's version of (of all things) *The Nutcracker* (1991 – soon on TV). Everyone thinks of *The Nutcracker* as a ballet, and everyone thinks of ballet as a basically Eurocentric and hierarchical form of entertainment – a wedding-cake rising in tiers to the ultra-white prima ballerina: who is in *The Nutcracker* the Sugar Plum Fairy. But Morris (now aged 36) *is an artist* with *an* essentially 1960s sensibility. He sets *The Hard Nut* in the American '60s, and what he deconstructs is ballet itself.

In *The Hard Nut* men may dance on point too: but here pointwork gives superiority to no one. The dancers are of all colours; and the traditional virtuoso steps of ballet are given not to the stars hut to the ensemble. There is no Sugar Plum; and the heroine, Marie, is barefoot.

The Hard Nut is also a post-modern work in the way it commutes between high art and popular culture, and in its way of commenting on, or framing, another work of art. It retells Hoffmann's original Nutcracker story in a 1960s setting. It moves from kids watching the *Hard Nut* story on hlack-and-white TV, through a party where adults do all kinds of groovy '60s dances, take drugs, quarrel and upset their kids, and finally (like *The Wizard of Oz*) enters a world of colour and magic. And its message (all you need is love) illustrates Sixties utopianism.

There are other labels that can be slapped on *The Hard Nut* and oo Morris's choreography in general. Most of his work, in the core of its dance style, is multiculturalist – with slements of flamenco, Indian, ballet, modern and much more co-existing. His 1987 trilogy *Mythologies* – a dance illustration of the sociological deconstructionism of Roland Barthes's *Mythologies* – was about popular culture: its three parts were *Soap Powders and Detergents*, *Striptease* and *Championship Wrestling*.

If *The Hard Nut* were *only* a piece of deconstructionism or post-modernism, it would not be a work of art – merely an intellectual construct. There are some other artists who similarly illustrate the complexities of our culture. But I attend at soma length to Morris because no one else is doing so on such a scale of consequence.



European theatre: multi-cultural views

Here the directors are the stars, says Jackie Wullschlager. Language is no longer the route to meaning: dramatic impetus is visual, physical

THIS season's big shots – or "grosses légumes", as the French say – on the Paris stage are a Briton rewriting a French opera, an Egyptian making a film show on the sacred boards of the Comedie Française, and an American directing German actors in a language they have never spoken before.

Peter Brook's *Impressions of Pelléas*, Yossif Chahine's *Caligula* and Bob Wilson's *Dr Faustus* are stamped with the vision of three of Europe's greatest directors. In all, multi-cultural strangeness and splendour intoxicates, hints at shifting perspectives, changing realities. In *Faustus*, three actors simultaneously play the hero: *Pelléas* has different actresses – Chinese, Japanese, Korean – as the heroine on consecutive nights. It is drama as haphazardly personal, fluid, unfixed. It is also highly stylised, presenting a deliberately unreal imaginative world.

Here is the director as star: after 30 seconds you see at once Wilson's hallmark – cold artifice – or Brook's mix of the exotic and intimately simple. Drama, with its demand that the director realise his own view of a play, has always been a deconstructionist's paradise. But among Europe's theatre pioneers, we now see a late 20th century trend which parallels post-modern developments in other arts.

One feature is a move away from the straight play to a collage of devices – mime, acrobatics, dance, rock, film. Mostly these imposed stylisations – the pleasure lies in the aesthetic pattern, unity of music, movement, design, not in story or naturalistic character. A director such as Chahine makes political points this way; others, such as Wilson, are aesthetes offering no meaning beyond the stage. All are part of a post-modern trend in which language is no longer the main route to meaning: dramatic impetus is not verbal but visual, physical, spiritual.

Multi-culturalism is at the core of this phenomenon in Europe. It embodies relativity of meaning, and it liberates directors from traditional texts and conventional staging. It is no chance that the explorers are multi-lingual: Brook, Wilson, Chahine, Ruth Berghaus, Peter Zadek, Luc Bondy may work in French, German, English. The most exciting shows in Europe are translations, radical revisions – Brook chops Debussy's opera in half and plays it with just a piano – or works which barely have a text. All reflects a sense of fragmentation throughout politics and culture.

Brook's Paris *Tempest*, with magic, acrobatics, an Indian Prospero, a black Ariel, showed how translation turned Shakespeare "into something rich and strange". For *Pelléas* the cavernous Bouffes du Nord venue is a fin-de-siècle bourgeois interior with Persian carpets, Chinese vases and Japanese screens. Fixing the oppressive mood of Maeterlinck's play the oriental actresses playing Mélisande are women from another milieu; the acting, trembling, precise, understated, recalls the *Tempest*; gestures, eyes looking away suggest souls – Prospero, Pelléas – lost in themselves. The essential is unexpressed but subtly evoked – perfect for Maeterlinck's symbolist theatre of silence, and for Brook's vision of intimacy and foreboding.

Where Brook has exoticism, Wilson has an abstract finesse at once sophisticated and naive. His surrealism owes a debt to Tadeusz Kantor, whose apocalyptic view of history as a cacophony of mass terror is enacted by black and white ghost-figures miming or jerking into action as in early movies to the jangle of guns, machines or folk music; there is no text. Kantor's great Krakow show, *Today's My Birthday*, still tours Europe. It echoes in Wilson's masterpiece, *The Black Rider* and in the weaker *Dr Faustus*.

Wilson's figures, chalky faced, eyes blackened, move in irregular jumps. The motif is cold angularity – crooked chairs six feet high, trees as scissor cut-outs, costumes with jagged edges, a red stiletto heel jutting from a slit in a box. Music, mime, dance, starts and stops abruptly. But it is also an enticing nursery rhyme world: pink neon, a big pulpy moon; the devil in *Faustus*, the lovers in *The Block Rider*, float upstage on swings.

The limit of language is Wilson's obsession. In the "spoken opera" *Faustus*, a German cast who first had to learn English, chant monosyllabic verse as parrot grammar, maddeningly meaningless. In Wilson's new show, a musical *Alice in Wonderland*, "a word means just what I choose it to mean". For *The Black Rider* William Burroughs' banal German-English ballads match the fairground kitsch of Tom Waits' tunes. It is art for art's sake, but Wilson's brittle-cruel-romantic collages work because they dramatise love, death, in s brilliantly realised, unified imagery.

Only Ruth Berghaus equals Wilson's intense abstraction. Her Hamburg *Jungle of Cities* is a Brecht collectors item, a mechanised choreographic nightmare where words hardly matter. A criss-cross of railway lines is backed by a silhouette of skyscrapers; people enter via windows, fall into pits, as a huge tent moves menacingly across the stage to devour all: a surreal updating of Brecht's alienation effect.

The cityscape is the theatrical image of our time. Most influential has been Peter Zadek's in his Vienna *Merchant of Venice*, relocated to Wall Street as a satire on yuppies and a parable of survival in a brash society. The set parodies post-modern architecture – a Richard Rodgers dream bank of steel tubes, glass frames, mirrored panels rises to the loft of the stage – and has sent deconstructionist echoes through many productions. The giant lift-mirror in Bondy's Berlin *Final Chorus*, for example, reflects both the mad looking glass world of bourgeois society and the audiences reaction to it.

Chahine's *Coligulo* is the pinnacle of this style. A huge tower block is also a screen projecting a modern city, moving crowds, Caligula magnified as a crazed dictator. At the end, this terrific structure disintegrates in flames, casting out changing images, different in each part of the auditorium. It suggests how random is our vision – sideshows range from Arab tambourinists to punk acrobats – and how we distance terror as it is stylised by televisual repetition.

Coligulo wittily and vibrantly uses non-traditional theatre forms to deconstruct our culture; the set is an emblem of the theme. It pinpoints a new visual, physical drama which should spread further this decade. Since European theatre thrives on cultural exchange, and language is of secondary importance, it is to be hoped that more such pieces – only *Pelléas* is planned for Glasgow – will visit Britain.

■ The first part of the State of the Art series was on December 24

Chess No 955: 1 Qa8 (threat 2 Qxb8) Bxa8 2 Bh7, or Qxb3 2 Qg8, or Qf4 2 Bei, or Qh8 2 Bxe4.

هكذا من الأصل

TELEVISION

SATURDAY

BBC1

7.00 Champion the Wonder Horse. 7.25 News. 7.30 Christopher Crocodile. 7.35 Animal World. 7.45 Quick Draw McGraw. 7.50 Littl' Bits. 8.15 Chucklevision. 8.35 Peter Pan and the Pirates. 9.00 Gone Live! 10.45 Film: Lassie: The Road Back.

12.00 Cartoon Double Bill.
12.12 Weather.
12.15 Grandstand. Introduced by Steve Rider. Including 12.20 Football: Bob Wilson and Gary Lineker preview the FA Cup third round. 1.00 News. 1.05 Racing from Newbury: The 1.10 Challow Hurdle. 1.20 Cross-Country: The Durham International. Successful runners including Steve Cram and American World Champion Lynn Jennings take part. 1.35 Racing: The 1.40 Ladbroke Racing Wellare Handicap Hurdle. 1.50 Cross-Country: Further action from Durham. 2.10 Racing: The 2.15 Mandarin Handicap Chase. 2.25 Cross-Country. 2.55 Rugby League: Live coverage from the first semi-final of the Regal Trophy. 3.45 Football Half-Times. 3.55 Rugby League: Live second-half coverage. 4.35 Final Score. Times may vary.
5.15 News.
5.25 Regional News and Sport.
5.30 Bruce Forsyth's Generation Game.
6.30 Noel's House Party.
7.25 The Paul Daniels Magic Show.
8.15 Casualty. Duffy gets a nasty shock when the new consultant, who has replaced Julian, shows up - he turns out to be a former lover. Poor old Ash has problems of a different kind as he struggles desperately to come to terms with his girlfriend Nikki's pregnancy. On top of his financial hardship, it's a prospect he finds terribly worrying. Starring Cathy Shipton, Derek Thompson, Patrick Robinson and Imogen Boorman.
9.05 News and Sport; Weather.
9.25 Film: We're No Angels. Robert De Niro and Sean Penn star as escaped convicts who take refuge in a monastery and disguise themselves as priests. The scene is set for a series of comic misadventures as the two adapt to their new lifestyle (1989).
11.05 Match of the Day. Desmond Lynam introduces highlights from the FA Cup third round, and goals from the day's other matches.
12.15 Darts: World Championship.
1.10 Weather.
1.15 Close.

BBC2

8.00 Open University. 9.05 Film: Nell Gwyn. 10.15 It's That Man Again. 10.45 The Hermit of the Kitchen. 11.15 The Strange Affair of Frankenstein. 11.45 Shak the Red Fox. 12.15 pm Film: Hue and Cry.

1.30 Joseph and Child. Discussing Arthur Dooley's sculpture which shows Joseph holding aloft the child he has helped deliver.
1.50 Network East.
2.20 Tanhaiyan (English subtitles).
3.00 Film: Brothers in Law. Ian Carmichael stars with Terry-Thomas and Richard Attenborough (1957).
4.30 Film: Midnight Lace. Starring Doris Day (1960).
6.15 Darts: World Championship.
7.10 Natural World Trail. Previewing the new season of BBC2 wildlife programmes.
7.15 News and Sport; Weather.
7.30 Byzantium. The European premiere of composer Sir Michael Tippett's recent work Byzantium, recorded in 1991.
8.15 London Weekend: Sickert's London. A day in the life of London, as seen through the paintings of British artist Walter Sickert. The programme, which opens BBC2's London Weekend evening coincides with an exhibition of Sickert's work at the Royal Academy. Music by Jools Holland.
9.05 The Vampyr – A Soap Opera.
9.35 Masters of the Universe: The Men Who Rebuilt the City. Looking at the mammoth building boom in London in the 1980s, when developers and architects erected one square mile of new structures. Developers and planning officers tell their stories - but now the boom is over, and many of the buildings are still unlet, what has been the price of this huge architectural experiment?
10.35 Steptoe and Son.
11.05 London Labyrinth. Director Chris Petit's film about London made from archive footage is a personal exploration of the capital. Excerpts from feature films are interwoven to create a surreal vision of a city of mystery and intrigue.
11.45 Film: Alfie. With Michael Caine as a Cockney wide boy in the Swinging Sixties who takes great pride in his many sexual conquests. The women in his life include Millicent Martin, Jane Asher, Julia Foster and Shelley Winters. Also starring Denholm Elliott (1966).
1.40 Close.

LWT

6.00 GMTV. 9.25 What's Up Doc? 11.10 Ratbag Hero

1.00 Movies, Movies, Movies. Reviewing the most popular films of 1992, including the best films, videos to rent and buy, popular TV shows, and music on video.
1.30 ITN News; Weather.
1.35 LWT News; Weather.
1.40 The ITV Chart Show.
2.40 Film: Never a Dull Moment. Dick Van Dyke stars in this Disney slapstick romp about a failed actor who is mistaken for a notorious gangster. Also starring Edward G Robinson (1967).
4.25 Cartoon Time.
4.40 ITN News and Results; Weather.
5.00 LWT News; Weather.
5.15 Cartoon.
5.30 Stars in Their Eyes: Elvis Special.
6.30 Film: Baywatch the Movie: River of No Return.
8.05 It'll Be Alright on the Night 7. Denis Norden takes another stroll through the little-known archives of film and TV out-takes.
9.05 PD James' Unnatural Causes. Roy Marsden stars as Cdr Adam Dalgliesh in this twisted tale of love and crime. While investigating a multi-million dollar counterfeit cash scam on the Suffolk coast, Dalgliesh is drawn into a macabre murder case.
11.05 ITN News; Weather.
11.20 LWT Weather.
11.25 Film: Under Fire. Nick Nolte and Gene Hackman star in this action drama which follows the relationships of three war correspondents in war-torn Nicaragua. Action drama, also starring Joanna Cassidy and Ed Harris (1982).
1.45 Film: The Suicide Murders. A private detective investigates the mystery of a spate of suicides. Could the victims have been murdered? Crime drama, starring Saul Rubinek and Kate Trotter (TVM 1985).
3.40 Film: Out of the Darkness. True-based murder drama, starring Martin Sheen as a New York detective determined to bring a brutal serial killer to justice. Also starring Hector Elizondo (TVM 1985).
5.20 Get Stuffed Christmas Special.

CHANNEL4

6.00 Early Morning. 10.00 Tony Jacklin's Pro-Celebrity Golf. 11.00 The Lone Ranger. 11.30 World Angling Championships 12.30 pm American Football: Play Action.

1.00 Sign On: Newswatch Special. Previewing topics of interest for deaf people in 1993. Plus, a review of 1992. With sign-language and subtitles.
2.00 Film: Love Me or Leave Me. Doris Day stars in this biopic about the life of famed 1920s singer Ruth Etting, with James Cagney as the gangster who masterminded her career (1955).
4.15 Animating Art. Art Babbitt, animator of many classic Disney films, talks about his creations. He demonstrates his animation techniques and recalls working in the Disney studios in the 1930s and 1940s.
5.05 Brookside.
6.30 A Sense of History. Tragi-comic spoof documentary written by and starring Jim Broadbent. The 23rd Earl of Leete recounts his life story, but his memories take a bizarre turn as he recalls his murder of his wife, children and brother; News.
7.00 A Week in Politics Special. Special edition retracing the dramatic story of the summer's Sterling crisis, when Britain was forced to leave the Exchange Rate Mechanism. Journalists and commentators who were close to politicians, officials and bankers involved in the incident recount exactly what happened and discuss what alternative policies might have been used. Presented by Andrew Rawnsley.
8.00 Stephen King's Golden Years.
9.50 Drop the Dead Donkey. Festive episode of the Emmy-winning topical comedy, starring David Swift and Jeff Rawlins.
10.25 Tectonic Plates. Film adaptation of Robert Lepage's stage play about the French-Canadian painter Madeleine. Marie Gignac plays the artist, whose offbeat tale mixes fantasy with reality, while the spirits of Jim Morrison, Oprah Winfrey and Shakespeare's character Ophelia offer their advice.
12.25 American Football: Play Action.
1.35 Film: Godzilla v Megalon. Lively monster caper. Godzilla comes to the rescue when Earthlings are threatened by a giant cockroach and a massive chicken (1973).
3.00 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-

ANGLIA: 1.35 Anglia News. 5.00 Anglia News and Sport 11.20 Anglia Weather.

BORDER: 1.00 Kick Off. 1.35 Border News. 2.40 Granada Sports World. 5.00 Border News and Weather 5.10 Sports Results.

CENTRAL: 1.35 Central News 5.00 Central News 5.05 Cartoon.

CHANNEL: 1.35 Bonsai. 5.00 Channel News. 5.05 The Making of Full Stretch.

GRAMPIAN: 1.35 Grampian Headlines 5.00 Grampian Headlines. 5.05 Winter on Grampian.

GRANADA: 1.00 Kick Off. 1.35 Granada News 2.40 Granada Sports World. 5.00 Granada News 5.10 Granada Goals Extra.

HTV: 1.35 HTV News. 5.00 HTV News and Sport. 11.20 HTV Weather.

HTV Wales as HTV except: No variations.

MERIDIAN: 1.35 Meridian News. 5.00 Meridian News. 5.05 The Making of Full Stretch.

SCOTTISH: 1.40 Pop Profile. 1.55 The Great Race. (1965) 5.00 Scotsport Results. 5.10 Scotland Today 11.20 Scottish Weather.

TYNE TEES: 1.35 Tyne Tees News. 5.00 Tyne Tees News.

ULSTER: 1.35 Ulster News and Sport 5.00 Ulster News and Sport 5.10 Goals of the Year.

WESTCOUNTRY: 1.35 Westcountry Weekend Latest. 5.00 Westcountry Weekend Latest.

YORKSHIRE: 1.35 Calendar News. 5.00 Calendar News. 11.20 Calendar Weather.

S4C Wales as Channel 4 except:- 6.00 Early Morning. 10.00 Tales of the Night. 10.30 Junior Golfer of the Year 1992. 6.30 Balwn Oros Everest. 7.00 Newyddion Nos Sadwrn. 7.15 Bacha Hi O'Ma. 8.00 Halen Yn Y Gwaed. 9.00 Tocyn Tymor. 9.55 Bob A Dic Yn Ewrop. 11.55 Nightingales.

SUNDAY

BBC1

7.25 The High Chaparral. 8.15 Breakfast with Frost. 9.15 The Good Book Guide. 9.30 This is the Day. 10.00 See Hear! 10.30 Help Your Child with Reading. 10.45 Italianissimo. 11.00 Careering Ahead. 11.30 Channel Hopping.

12.00 Advice Shop. Information and advice on benefits and the law.
12.30 CountryFile. John Craven introduces the story of pollution on the Hudson River in America, where generations of fishermen have caught shad, catfish and striped bass.
12.55 Weather for the Week Ahead; News.
1.00 Spitfire. The story of the engineers and managers who raced to produce the fighter aircraft to out-manoeuvre the Messerschmitts of Hitler's Luftwaffe.
2.00 EastEnders.
3.00 Match of the Day Live: The Road to Wembley. Nottingham Forest v Southampton. Desmond Lynam introduces live FA Cup third round action, with comment and analysis by Terry Venables and Jimmy Hill. John Motson commentates.
5.00 The Clothes Show.
5.25 Antiques Roadshow. New series. Hugh Scully and fellow experts marvel over more treasures, including a gold testimonial cup, a small Satsuma vase and a painting of a large pig. From the National Motor Museum at Beaulieu, Hampshire.
6.10 News.
6.25 Songs of Praise. Debbie Thrower reveals the results of the viewers' poll for the top 10 hymns.
7.00 Last of the Summer Wine.
8.30 Film: Diagnosis of Murder. Starring Dick Van Dyke, Bill Bixby and Mariette Hartley (TVM 1991).
10.00 News and Weather.
10.15 Everyman. Following Jack Preger, who runs a surgery every day of the year for the destitute, the lepers and the homeless of Calcutta. Everyman examines whether Jack is the ultimate victim of his own vocation.
10.55 What Shall We Tell the Children? New series. Explaining to children, in the best possible taste, where babies come from.
11.15 Famously Fluent. New series. Celebrities brush up on their foreign languages, beginning with Gary Lineker on Spanish.
11.20 Doogie Howser MD.
11.45 Tanhaiyan.
12.25 Weather.
12.30 Close.

BBC2

7.30 Felix the Cat. 7.45 Playdays. 8.10 Smoggies. 8.35 Telling Tales. 8.50 Christopher Crocodile. 8.55 Superboots. 9.15 Favourite Songs. 9.40 The Wetter the Better. 10.05 Thundercats. 10.30 The Best of Blue Peter. 11.00 Pingu. 11.05 Chocolate. 11.45 The O-Zone. 12.00 Thunderbirds. 12.50 pm The Invaders.

1.40 Darts: World Championship.
2.05 Millennium: Tribal Wisdom and the Modern World. New series. David Maybury-Lewis visits South America and discovers how the developed world can learn from the traditional values of tribal people.
3.00 Film: The Wrong Arm of the Law. Peter Sellers stars. (1962).
4.35 Ski Sunday. Featuring ski-jumping on the Bergisel Hill at Innsbruck, Austria.
5.10 Rugby Special. Leicester v The Barbarians. Highlights of yesterday's traditional New fixture.
6.10 Natural World. New series. Echo is the female head of a family of elephants who live in Amboseli, a Kenyan National Park nestling in the shadow of Kilimanjaro. Martyn Colbeck films 18 eventful months in Echo's life.
7.10 The Boy Who Would Be King. Tim Rice tells the extraordinary story of Nigel Short, Britain's most successful chess player for 150 years. At the age of six, Nigel discovered a passion for the game which was to dominate his life. This month, he plays a crucial match against Dutch Grandmaster Jan Timman for the right to challenge Russian Gary Kasparov for the world title.
7.50 London Weekend: Metro-Land. Twenty-year-old classic in which the then Poet Laureate Sir John Betjeman takes a journey through the suburbs built alongside London's Metropolitan railway in the 1920s and 1930s, in search of the poetry and variety of its architecture and activities. He finds sin and mystery in St John's Wood, a Georgian palace in Moor Park's Golf Club, a nature trail in Neasden and a mighty Wurlitzer in Chorleywood.
8.40 Only Fools and Horses.
9.10 An Ungentlemanly Act. Falklands War drama based on real events which recreate the first 36 hours of the conflict. Starring Ian Richardson, Rosemary Leach and Bob Peck.
11.10 Jools Holland.
12.00 Darts: World Championship.
1.05 Close.

LWT

6.00 GMTV. 9.25 The Disney Club. 11.00 Morning Worship. 12.00 Encounter. 12.30 pm ITN News; Weather. 12.35 LWT News; Weather. 12.40 The Smurfs.

1.05 Donald Duck.
1.50 Film: The Karen Carpenter Story. Charting the life of the singing superstar who shot to fame with her brother Richard, but whose success was marred by tragedy. Cynthia Gibb and Mitchell Anderson play the duo (1988).
3.30 Bullseye.
4.00 Animal Country Awards.
4.30 Wish You Were Here?
5.00 A Year in Spain. The year 1992 was a particularly active one for the people of Spain, culminating in the Barcelona Olympics. Selina Scott reviews the key events through the eyes of the Spanish royal family, and compares the country's monarchy with that of Britain.
6.00 ITN News; Weather.
6.05 LWT News; Weather.
6.15 Classic Coronation Street.
7.15 Catherine Cookson: The Man Who Cried. Part one. A tale of romance and betrayal set in 1932.
8.45 ITN News; Weather.
9.00 LWT Weather.
9.05 You've Been Framed! Late!
9.50 Film: The Eiger Sanction. Clint Eastwood plays a retired double agent working as a college lecturer, who finds himself taking part in a perilous climb up the Eiger after being forced back into intelligence work. Also starring George Kennedy (1975).
12.10 Film: Oh God! You Devil. Third in a series of comedies featuring George Burns as God. In this outing he also plays the Devil, and the two engage in a battle of wits to win the soul of a struggling young rock musician. Also starring Ted Wass (1984).
1.55 Film: Good Guys Wear Black. Chuck Norris stars in this action thriller about a Vietnam veteran trying to expose corrupt politicians. Also starring Anne Archer (1979).
3.40 Film: Hunters of the Reef. A salvage boat captain races against a better equipped competitor to locate a sunken wreck in shark-infested waters off the Florida coast. Action adventure, starring Michael Parks and Mary Louise Weller (1978).
5.25 Get Stuffed Christmas Special.

CHANNEL4

6.00 Early Morning. 9.30 Dennis. 9.45 Flipper. 10.15 Tony Jacklin's Pro-Celebrity Golf. 11.15 The Lone Ranger. 11.45 Little House on the Prairie. 12.45 pm Football Rules (first of a six-part series explaining the laws of the game). 12.55 Gazza's Soccer School (Paul Gascoigne shows young footballers how to warm up and explains about positioning).

1.15 Gazzetta Football Italia. Highlights from Serie A, including AC Milan v Roma, Lazio v Ancona and Juventus v Parma.
3.30 The Power of Music. Behind the scenes of Lanark's Music Week, the first festival of its kind in Scotland, aimed at bringing together the local community. This documentary traces the preparations and performances for the diverse musical celebration.
6.00 Technological Threat. News.
6.10 Film: The Princess Bride. Fairy tale spoof, starring Mandy Patinkin as a Spanish swordsman who sets out to defeat medieval villains played by Chris Sarandon and Christopher Guest (1987).
7.00 Gielgud Looks Back. With a career spanning 60 years, director and actor Sir John Gielgud has tackled almost every great classical role. Sir Richard Attenborough invites him to share his thoughts and memories with the students of the Royal Academy of Dramatic Art.
8.15 Beyond the Barrier. Following the double life of Philip Stel from Bath. By day he works as a car-park attendant, and by night he enters the world of the occult as a 'ghostbuster'.
8.45 American Football. Highlights of the day's featured game and other NFL action from Sunday.
10.00 Film: Nine to Five. Dolly Parton, Jane Fonda and Lily Tomlin star as a trio of downtrodden office employees who plot revenge on their chauvinist boss Dabney Coleman (1980).
12.00 Film: A Thousand Pieces of Gold. The story of a young Chinese woman sold by her poverty-stricken family and brought across the Pacific to work as a prostitute. Starring Rosalind Chao and Michael Paul Chan (1991). (Please note that the first 20 minutes are in Chinese with English subtitles. Thereafter subtitles will be used for the appropriate characters).
1.55 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-

ANGLIA: 12.35 Anglia News. 12.45 No Deposit, No Return. (1976) 2.55 The Karen Carpenter Story. (1988) 4.30 Bullseye. 6.05 Anglia News.

BORDER: 12.35 Border News. 12.40 Laputa. (1986) 2.55 The Karen Carpenter Story. (1988) 4.30 Bullseye. 6.05 Border News.

CENTRAL: 12.35 Central News 12.40 Laputa. (1986) 2.55 The Karen Carpenter Story. (1988) 4.30 Bullseye. 6.05 Central News

CHANNEL: 12.35 Reflections. 12.40 Laputa. 2.55 The Karen Carpenter Story. (1988) 4.30 A Year in Spain. 5.30 Family Fortunes. 6.05 Channel News.

GRAMPIAN: 11.00 Winter on Grampian. 11.15 Deanamaid Gairdeachas. 12.35 Grampian Headlines. 12.40 Laputa. (1986) 2.55 The Karen Carpenter Story. (1988) 4.30 Bullseye. 6.05 Grampian Headlines.

GRANADA: 12.35 Granada News 12.40 Incredible Stunts and Jumps. 1.15 The Karen Carpenter Story. (1988) 3.00 Wish You Were Here? 4.00 A Year in Spain. 5.00 Coronation Street. 6.05 Granada News

HTV: 12.35 HTV News. 12.40 Laputa. (1986) 2.55 The Karen Carpenter Story. (1988) 4.30 Bullseye. 6.05 HTV News. 9.00 HTV Weather.

MERIDIAN: 12.35 Meridian News. 12.40 Laputa. 2.55 The Karen Carpenter Story. (1988) 4.30 A Year in Spain. 5.30 Family Fortunes. 6.05 Meridian News.

SCOTTISH: 11.00 Blondie and Dagwood. 11.30 Around the World in 15 Minutes with Peter Ustinov. 11.45 Sunday Service. 12.35 Scotland Today 12.40 Encounter. 1.10 The Karen Carpenter Story. (1988) 2.45 Superman II. (1980) 6.05 Scotland Today

TYNE TEES: 12.35 Tyne Tees News. 12.40 Laputa. (1986) 2.55 The Karen Carpenter Story. (1988) 4.30 A Year in Spain. 5.30 Parents. 9.10 Local Weather.

ULSTER: 12.35 Ulster News 12.40 Incredible Stunts and Jumps. 1.15 The Karen Carpenter Story. (1988) 3.00 Mini Champions. 4.00 A Year in Spain. 5.00 Coronation Street. 6.05 Ulster News

WESTCOUNTRY: 12.30 Westcountry Weekend Latest. 12.40 Laputa. (1986) 2.55 The Karen Carpenter Story. (1988) 4.30 Bullseye. 5.05 Westcountry Weekend Latest.

YORKSHIRE: 12.35 Calendar News. 12.40 Laputa. (1986) 2.55 The Karen Carpenter Story. (1988) 4.30 A Year in Spain. 5.30 Calendar. 9.00 Local Weather.

S4C Wales as Channel 4 except:- 7.05 Early Morning. 9.00 Jeifin. 9.45 Madstock: The Movie. 10.45 Voyage to the Bottom of the Sea. 12.45 The Final Score. 3.30 Seriously Seeking Sid. 4.30 Desmond's. 5.00 High in the Saddle. 5.05 Dechrau Canu, Dechrau Canmol. 5.35 Susan Anelog. 6.05 Pavarotti. 7.05 Holl Hwn a Holl Lloll. 8.00 Pris Y Farchnad. 9.00 Hel Straeon. 9.30 Newyddion. 9.35 Saith Diwrnod Ar y Sul. 9.50 American Football. 11.05 Rory Bremner and the Morning After the Year Before.

RADIO

SATURDAY

BBC RADIO 2
6.00 Barbara Sturgeon. 8.05 Brian Matthew. 10.00 Sarah Kennedy. 12.00 Nick Barraclough's New Country. 1.00 I'm Sorry I'll Read That Again. 1.30 Pull the Other One. 2.00 Ronnie Hilton. 3.00 Steve Race. 4.00 Fantastic! 5.00 Cinema 2. 5.30 Singers at the Movies. 6.00 Janis Ian in Concert. 7.00 Behind the Hits. 7.30 A Man and His Music. 8.30 David Jacobs. 10.00 The Arts Programme. 12.05 Ronnie Hilton. 1.00 Alan Dedicoat. 4.00 Barbara Sturgeon.

BBC RADIO 3
6.35 Open University. 6.55 Weather. 7.00 Record Review. 1.00 News. 1.05 Mozart's Violin Sonatas. 2.40 Duets in Trecento. 3.00 Solti. 5.00 Jazz Record Requests. 5.45 Opera News. 6.30 Die Walküre. 10.45 Outside-In Festival. 12.30 News. 12.35 Close.

BBC RADIO 4
6.00 News Briefing. 6.10 The Farming Week. 6.50 Prayer for the Day. 7.00 Today. 9.00 News. 9.05 Sport on 4. 9.30 Breakaway. 10.00 Loose Ends. 11.00 Talking Politics. 11.30 From Our Own Correspondent. 12.00 Money Box. 12.25 Just a Minute! 1.00 News. 1.10 Call to Account: Radio 4. 2.00 Little Blighty On the Down Christmas Special. 2.30 Saturday Playhouse. 4.00 New Europeans. 4.30 Science Now. 5.00 A Year in Harness. 5.25 The Art of Travel. 6.00 News and Sports Round-Up. 6.25 Year Pending. 6.00 Postcard from Gotham. 7.20 Kaleidoscope. 7.50 The Night of Wenceslas. 9.20 Music in Mind. 9.50 Ten to Ten. 10.00 News. 10.15 The Year in Question. 10.45 Idle Thoughts. 11.00 Out of Order Christmas Special. 11.30 Sex in the Head. 12.00 News. 12.30 Close.

BBC RADIO 5
6.00 World Service: Newshour. 6.30 Mark Curry's Weekend Edition. 9.30 Get Set. 10.30 Tales of the Texas Rangers. 11.00 Go! 12.00 Sport on 4 Plus 1. 12.30 Sportscall. 1.30 Sport on Five. 5.00 Sports Report. 6.06 Six-O-Six. 7.30 Afropop Worldwide. 8.30 Le Top. 9.30 Nightbeat. 10.00 Sports Bulletin. 10.15 On the Level. 12.00 Close.

WORLD SERVICE
BBC for Europe can be received in Western Europe on Medium Wave 648 kHZ (463m) at the following times GMT:
6.00 News; The World Today. 6.30 Programmes in French. 7.00 Newsdesk. 7.30 People and Politics. 8.00 News; Words of Faith; A Jolly Good Show. 9.00 News; Business Report; Short Story: The Fir Tree. 9.30 Personal View. 9.45 Sports Roundup. 10.00 News Summary; Jazz Now and Then; Letter From America. 10.30 Waveguide; Book Choice; From The Weeklies. 11.00 Newsdesk. 11.30 BBC English. 11.45 Mittagsmagazin: News in German. 12.00 News; Words of Faith. 12.15 Multitrack 3. 12.45 Sports Roundup. 1.00 Newshour. 2.00 Letterbox. 2.15 Personal View. 2.30 Sportsworld. 3.00 News; Sportsworld continued. 4.00 News; News About Britain; BBC English. 4.29 News Headlines in French. 4.30 Programmes in German. 5.00 News Summary; Sportsworld. 5.30 Programmes in French. 6.00 Newsdesk. 6.30 Programmes in German. 8.00 News; Personal View; Words of Faith. 8.30 Europe This Weekend. 8.05 European Sports News. 9.00 Newshour. 10.00 News; Meridian. 10.45 Sports Roundup. 11.00 News; Words of Faith; Book Choice; A Jolly Good Show. 12.00 Newsdesk. 12.30 The Ken Bruce Show. 1.00 News Summary; Play of the Week: As You Like It – part two. 2.00 Newsdesk; Europe At The Time. 3.00 News; News About Britain. 3.10 Sports Roundup. 3.30 From Our Own Correspondent. 3.50 Write On. 4.00 News. 4.15 Under Threat. 4.30 Business Review. 4.45 Programmes in German.

CLASSIC FM
6.00 Jane Jones. 9.00 Classic CD Chart Rundown. 12.00 Petroc Trelawny. 3.00 Adrian Love. 6.00 Classic America. 7.00 Opera: The Flying Dutchman. 10.00 Alan Mann. 1.00 Robert Booth.

SUNDAY

BBC RADIO 2
7.00 Don Maclean. 9.05 John Sachs. 12.00 Desmond Carrington. 2.00 Benny Green. 3.00 Alan Dell. 4.00 Sidney Torch. 4.30 Sing Something Simple. 5.00 Charlie Chester. 7.00 Richard Baker. 8.30 Sunday Half Hour. 9.00 Alan Keith. 10.00 Arts Programme. 12.05 Nick Barraclough's New Country. 1.00 John Terrett. 3.00 Alex Lester. 6.00 Sarah Kennedy.

BBC RADIO 3
6.55 Weather. 7.00 Sunday Morning Concert. 9.00 News. 9.05 Brian Kay's Sunday Morning. 12.00 Byrd at Ingatestone. 1.00 News. 1.05 Selected Poets. 1.20 From the Proms 1992. 3.00 Britannia Triumphans. 3.30 Barbara Bonney. 4.50 BBC Philharmonic. 6.30 Jewish Choral Music. Rabbi Julia Neuberger reflects on the overlap of the Jewish and Christian traditions in the work of Jewish composers. 7.30 Sunday Play. 9.45 Brahms: A German Requiem. 11.00 Music in Our Time. 12.00 The Four Sections. 12.30 News. 12.35 Close.

BBC RADIO 4
6.00 News Briefing. 6.10 Prelude. 6.30 Morning Has Broken. 7.00 News. 7.10 Sunday Papers. 7.15 On Your Farm. 7.40 Sunday. 8.00 News. 8.10 Sunday Papers. 8.50 Jon Snow. 9.00 News. 9.10 Sunday Papers. 9.15 Letter from America. 9.30 Morning Service. 10.15 The Archers. 11.15 News Stand. 11.30 Pick of the Week. 12.00 Desert Island Discs. 1.00 The World This Weekend. 2.00 Gardeners' Question Time. 2.30 Sunday Playhouse. 3.30 Immortal Diamonds. 4.00 Magic Monosyllable. 4.47 Welcome to My Wireless. 5.00 Coastline. 5.30 Poetry Please! 6.00 Six O'Clock News. 6.15 Going Solo at the Bottle Ceremony. 6.30 Word of Mouth. 7.00 God in the Palaces. 7.30 Dinomania. 8.00 Fourth Column Classics. 8.30 Word on the Street. 9.00 Good Enough for Yorkshire. 9.30 The Rabbit's Tale. 10.00 News. 10.10 With Great Pleasure. 11.00 Bushbound in a Humpy. 11.30 Seeds of Faith. 12.00 News. 12.30 Close.

BBC RADIO 5
6.00 World Service: Newshour. 6.30 Mark Curry's Weekend Edition. 8.30 Tintin. 10.00 Johnnie Walker. 11.30 Fantasy Football League. 12.00 Football Plus. 2.00 Body Works. 2.30 Sunday Sport. 5.30 Where Were You - In 1983? 6.00 A Century Remembered. 6.30 The Humdrum History of the Helmet. 7.15 How We Worked Then. 7.30 Italianissimo. 8.00 Language Live. 9.00 Open University. 9.30 Box 13. 10.10 Across the Line. 12.00 Close.

WORLD SERVICE
BBC for Europe can be received in Western Europe on Medium Wave 648 kHZ (463m) at the following times GMT:
6.00 News; Letter From America. 6.30 Programmes in French. 7.00 Newsdesk. 7.30 From Our Own Correspondent. 7.50 Write On. 8.00 News; Words of Faith; Classics with Kay. 9.00 News; World Business Preview. 9.10 Seeing Stars. 9.30 Folk in Britain. 9.45 Sports Roundup. 10.00 News Summary; Science in Action. 10.30 In Praise of God. 11.00 Newsdesk; BBC English. 11.45 News and British Press Review in German. 12.00 News Summary. 12.01 Play of the Week: As You Like It – Part Two. 1.00 Newshour. 2.00 News Summary. 2.01 This Is Your Sport. 2.30 Anything Goes. 3.00 News. 3.15 Concert Hall. 4.00 News; News About Britain. 4.10 BBC English. 4.29 News Headlines in French. 4.30 Programmes in German. 5.00 News and Business Review. 5.15 Letterbox. 5.30 Programmes in French. 6.00 Newsdesk. 6.30 Programmes in German. 8.00 News; Folk in Britain; Words of Faith. 8.30 Europe Tonight. 9.00 Newshour. 10.00 News; Meridian. 10.45 Sports Roundup. 11.00 News; World Business Preview; Classics with Kay. 12.00 Newsdesk. 12.30 In Praise Of God. 1.00 News Summary; What's News? 1.15 Femmes Fatales. 1.45 Musical Mavericks. 2.00 Newsdesk. 2.30 Composer Of The Month: Manuel de Falla. 3.00 News; News About Britain. 3.15 Sports Roundup. 3.30 Anything Goes. 4.00 World News. 4.15 On Screen.

CLASSIC FM
6.00 Andre Leon. 9.00 Classic Romance. 12.00 CD Requests. 2.00 Celebrity Choice. 3.00 Robert Booth. 7.00 Authentic Performance. 8.00 The Vampyr, opera based on the Count Dracula Story. 10.00 Sunday Night Out at Smollensky's. 11.00 Contemporary Classics. 12.00 Andre Leon.

CHESS

MICHAEL ADAMS, 21, completed an impressive year just before Christmas when he retained the Leigh Interests Grand Prix, the UK congress individual championship. Newly established as England No 2 after Nigel Short, he scored 6/6 in the final Leigh event, the Islington Open at the Barbican Centre.

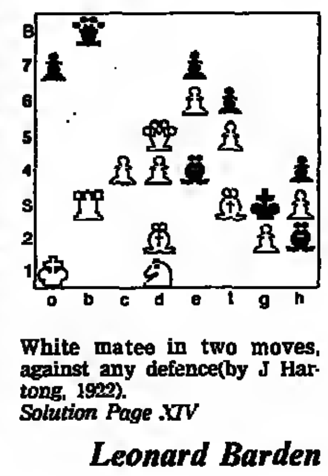
Adams and the runner-up, Julian Hodgson, have dominated the Grand Prix and the one-day and weekend circuit for four years. Opponents fear their skills in the once rare opening 1 d4 Nf6 2 Bg5!? whose popularity has surged.

Hodgson's new booklet Trends in the Torre and Trompowsky (Trends Publications, £3.95, details from 0273-304796) analyses the Trompowsky 2 Bg5 and its calmer Torre version 2 Nf3 e6 3 Bg5, both named after Latin American masters of the 1930s. Hodgson writes: "An opening where you are almost out of theory on move two has come as a welcome relief to many players." One optimist at Islington confronted Adams with his own weapon. This can be good psychology, but here White becomes confused, with fatal results (M Wickert, White; M Adams, Black; Trompowsky; Islington 1992).

1 d4 Nf6 2 Bg5 Ne4 3 Bf4 c5 4 d5 Qb6 5 Nd2 Qxb2 Adams's choice is consistent with Hodgson's booklet, where 6 Rb1(6 Nxe4 Qb4+) Qf6 7 Nxe4 Qxf4 8 Nxc5 e6 is judged a critical line. 6 Ngf3?? Nc3 7 Nc4?? 7 Qc1 is necessary, though after Qxc1+ and Nxa2 White is two pawns down. Nxd1 8 Resigns

Judit Polgar, 16, the world's best woman player is competing at the Hastings congress.

Chess No 955



White mates in two moves, against any defence(by J Hartong, 1922).

Solution Page XIV

Leonard Barden

BRIDGE

MY HAND today comes from Master Pairs:

N
♠ A K 6 4
♥ A 7 5 4
♦ K J 7 4
♣ A

W
♠ Q J 10 8
♥ Q 9 5 2
♦ 8
♣ 10 9 6 3

E
♠ 9
♥ 8 6
♦ 5 3
♣ K Q J 8 7 5 4 2

S
♠ 7 5 5 2
♥ K J 10
♦ A Q 10 9 6 2
♣ –

East dealt with East-West vulnerable and started the bidding with three clubs, South overcalled with three diamonds, and North said four clubs. South could only say four diamonds, and North raised to six.

West led the three of clubs. This is how the expert played. He took the lead with dummy's ace, discarding the 10 of hearts from hand, drew trumps with ace and knave, and returned the four of spades, which was won by the 10. West followed with the queen, taken by the king, and East discarded a club. The declarer played back dummy's heart four to his king, the knave was covered by queen and ace, and the five ruffed in his hand.

With East marked with eight clubs and two diamonds, South had decided to play for a spade-heart squeeze against West. Hence the concession of a spade to rectify the count. He ran his trumps, catching West in a simple squeeze.

Contract made, but hardly the best line of play, and surely not at match-pointed pairs.

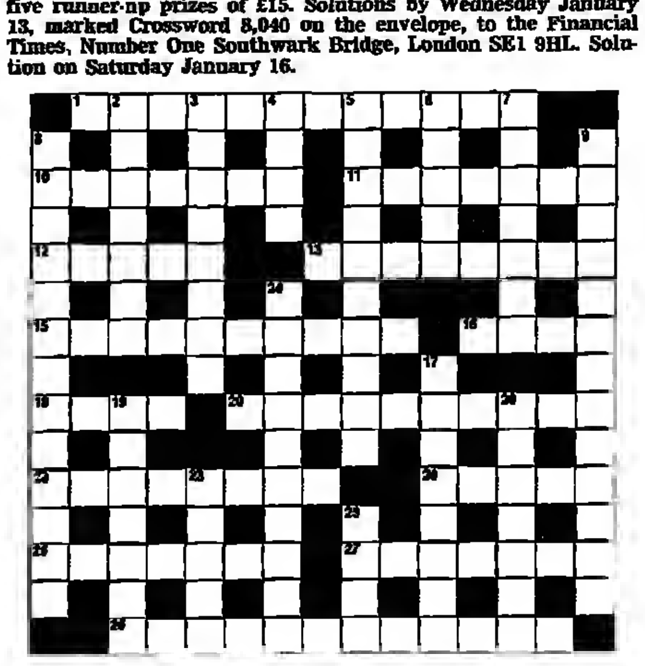
It must be better to discard a spade on the club ace. Then we draw trumps with king and ace, lead the heart knave and finesse – if East wins, our little slam is cold. West is more likely to hold the heart queen, he covers, the ace wins, and we cash king and 10. We do not need any rectification of the count – our target is 13 tricks. We play out all of our trumps, and West is squeezed. At trick ten he is forced to throw his nine of hearts or ten of spades, we must get more match points than the other declarer.

E P C Cotter

CROSSWORD

No. 8,040 Set by CINEPHILE

A prize of a classic Pelikan Souverän 800 fountain pen, inscribed with the winner's name for the first correct solution opened and five runner-up prizes of £15. Solutions by Wednesday January 13, marked Crossword 8,040 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday January 16.



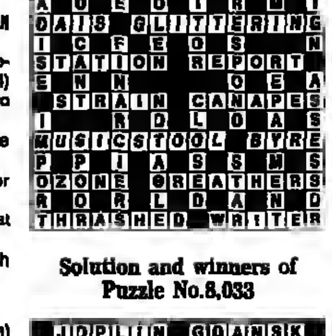
Name...

Address...

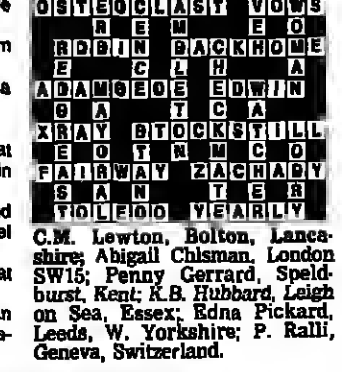
ACROSS
1 Antiseptic cleanser for broccoli as soon as possible? (8,4)
10 Go too far with cricketing elements (7)
11 Indefinite article for performance (7)
12 Funny to get five hundred banknotes? (5)
13 Weapon, singular one, so the escort's right? (5-3)
15 Unkempt child to tease with a teacake (10)
16 Live with a posh lover (4)
18 Former Midland boss of football body (4)
20 It's pointed at the top to distribute a little chocolate? Right (6,4)
22 Strong lence is a friend first to the notorious marquis (8)
24 Paralysing illness for one in a game (5)
26 Sort of hydrate used by doctor as terrorist device (3,4)
27 Painter gets time off to live at home (7)
28 Supply and demand for English stock farmer? (6,6)

DOWN
2 A Victorian school (not English) lasting many years (3-4)
3 One that nests on top of tree – it may stick to it (4-4)
4 Sole way to raise money, we hear (4)
5 Producer of wagon and loom (10)
6 Prize is nothing when trauma follows (5)
7 Pet goat turned into soup (7)
8 Authority, including Democrat leader, by agreement resides in the handbag (6,7)
9 Brethren who are puritanical and orthodox form part of channel (6,5)
14 A story about a crossing that one can pay for (10)
17 Supply Reformed Presbyterian with casual wear for the monastery (8)
19 Prop gives less than complete fragment (7)
21 Take over from king, priest and first lady (7)
23 Polish, Scotch and belonging to us (5)
25 Cook some quiche for me (4)

Solution to Puzzle No.8,039



Solution and winners of Puzzle No.8,033



C.M. Lewton, Bolton, Lancashire; Abigail Chisman, London SW15; Penny Gerrard, Speldhurst, Kent; K.B. Hubbard, Leigh on Sea, Essex; Edna Pickard, Leeds, W. Yorkshire; P. Ralli, Geneva, Switzerland.

What astrologers don't know

Dominic Lawson offers a New Year prediction: most pundits will be wrong again

EVERY New Year brings with it a curse, and it is always the same one: the curse of New Year forecasts. The nation's stage army of pundits forms a queue to tell us what will happen to the stock market, which world leaders will be up, and which down, where house prices will be a year from now, and all the other matters beyond our control. It is dross, from first to last. The only advantage is that we do not have to read any of it, and can save dramatically the amount of time we spend reading newspapers.

We can be sure of one other thing: the forecasts will be over-optimistic. Last year not one of our leading economic forecasters predicted that the British economy in 1992 would continue to shrink. While the Treasury's own predictions were notably hubristic, independent pundits scarcely covered themselves in glory. This, at least, was entirely predictable: human nature is optimistic, and in the 20th century this has been translated into a passionate conviction that every succeeding year must bring progress, that our civilisation can only wax, never wane.

It is in any case an artifice to assume that the affairs of man move in yearly cycles – the only objective difference between December 31 and January 1 is that one is a bank holiday and the other is not. More particularly, the Gregorian calendar bears no particular relation to the earth's cycle. Our New Year comes in the middle of winter, when nature is still deep in hibernation. Since the Church of England has broken conclusively with the world-wide Catholic Church by declaring that women shall be priests, it might as well go the whole rationalist hog and break with Pope Gregory's calendar. Then we could celebrate the new year on an agreed first day of Spring, along with the birds and the bees.

This is not, I hasten to add, an appeal to move to a calendar based on the astrologers' system of planetary and solar influences. I am at least at one with the Pope in his anathematising of astrology, if not his declaration that to follow those spurious charts is a mortal sin.

In the tide of forecasts that wash over us each new year, the astrologers' predictions represent the scummiest flotsam and jetsam, horoscopical detritus. I find it depressing that the *Daily Mail*, probably the most influential newspaper in Britain, should have devoted its centre pages for most of the past week to promoting the claims of a bald, bearding astrologer called Jonathan Cainer, who says he has developed something called "Astroanalysis – a unique new way of seeing what the stars hold".

Cainer previously predicted the futures of the 1m or so readers of *Today* newspaper, now tells the considerably more numerous readers of the *Daily Mail* that "1993 is the year that will change your life." This is because 1993 will see "Neptune and Uranus meet in the sky for the first time in nearly 200 years – a rare and important conjunction which has the potential to change our world dramatically."

I am particularly interested in his predictions for Capricorn (December 23 to January 20): "So much has changed in your home life you no longer feel sure where your personality ends – and where your need to be all things to all people begins."

My daughter was born a week and half ago, on December 23, and unlike Cainer, I have no idea what her character is. Had she been born a day earlier, she would have been a Sagittarian, just like her dad, another Sagittarian. It is just as well we didn't have her induced.

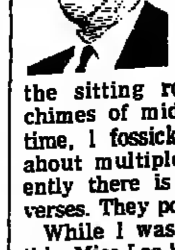
It would be wrong to think that astrology columns are the province solely of the tabloid newspapers. Superior glossy magazines, such as *Vogue* and *Harpers and Queen* have them. So too does the supposedly serious *Sunday Times*. Indeed, recently I received a letter from the *Sunday Times'* astrologer, offering to explain to me the higher points *of her art*. Apparently 'something' had told her that I was about to publish in *The Spectator* the sort of article about astrology which might have brought her "profession" into disrepute. On this occasion, I am afraid, her charts have let her down.

I have one question for her. Why do astrologers base their charts on the moment of birth, rather than the moment of conception? After all, that is when the earth is really supposed to move.

■ *Dominic Lawson is Editor of The Spectator.*

Bad news guys

Michael Thompson-Noel



MISS LEE, my executive assistant, was in fine form on New Year's eve. We put on paper hats, lit the pink candles, and had partridge and raspberries. Then we repaired to the sitting room, to await the chimes of midnight. To pass the time, I fossicked through a book about multiple universes. Apparently there is an infinity of universes. They pop out of nothing.

While I was wrestling with all this, Miss Lee had picked up a copy of *The Journalist's Handbook* which was lying around, and was flicking through it impatiently. She was looking particularly beautiful: a smart type of frock, £400 shoes, hair nicely twirled, endearing crimson lipstick.

She started to laugh throatily. I asked about the cause.

Miss Lee said: "I am reading an article by this creature Peter Fiddick which poses the question: 'Can a 24-hour rolling news service on the BBC be justified? Is there enough news?' Fiddick has his doubts. Regales us with them lumpenly. In the limpest way imaginable, he wonders whether there is enough news to sustain listeners' interest on a round-the-clock basis.

"What this creature doesn't realise is that most of humanity's problems can be ascribed to an excess of media. There are far too many journalists, all of them battening leech-like on what is a *finite* supply of news. It is my opinion, Michael, that most of our problems in 1992 were exacerbated by the media – not exactly *caused* by them but fanned and enflamed out of all proportion.

"Take John Major and Norman Lamont. Perfectly decent men who have been ridiculed for doing their best to wrestle with problems not of their making. How can Major and Lamont be held responsible for German foolhardiness or the global debt splurge?

HAWKS & HANDSAWS

"Or take the royal family. Look how the Queen and her hapless children were singled out in 1992 for remorseless persecution. All families have their problems. That is only human nature. But when Windsor Castle burned to the ground, the media gloated – virtually suggested she rebuild it herself. When the Queen offered to pay income tax, the media speculated on the scale of her liabilities. When her children's marriages encountered minor difficulties, the media snooped and eavesdropped and hounded them unforgivably.

"If you examine the world's problems in 1992, you will see that most of them were local difficulties that would have blown over if the media hadn't latched on to them. When real news dries up, they feast on each another. Look at the attention paid this week to Britain's commercial television network. Who cares a matchstick for ITV? It is a haven for minor talent. It is there to sell dog food. End of story.

"Or take the tabloid press. Anyone with four brain cells knows that the tabloids are written and commissioned by menopausal men with severe sexual hang-ups and chips on their shoulders. So let them get on with it. If the quality newspapers would deny the tabloids the oxygen of publicity, the tabloids would soon be read only by inmates of prisons and people in the Navy. There are far too many newspapers. Britain could easily get by with one pink broadsheet and one white broadsheet."

"But which white broadsheet?" I asked.

"Certainly not *The Times*. I used to be fond of it. Its last editor had knocked it into shape. But then along comes this Peter Stothard creature. Swans in from nowhere. Fires two dozen journalists. Tosses the whole thing in the air and rearranges it so that none of us can find our favourite columnists or features. There is an interview in here" – she brandished *The Journalist's Handbook* – "in which this creature seeks to justify *his actions*, but he doesn't fool me. What could be his problem?"

"Insecurity," I said. "You must remember, Miss Lee, that Stothard is a Murdoch editor. Can you imagine what hoops of ice constricted his brain and heart when Murdoch rang him from LA and appointed him editor? Must have been a nightmare. He deserves our deepest sympathy." Suddenly I felt maudlin. The clock was close to midnight. "This is a weary, wracked planet, Miss Lee. We must learn to hold our tongues, learn to stay our hands. Our planet is bleeding. It is crying for our sympathy. We are alone in the universe. We muat love one another. Let us start with this Stothard creature and take it from there."

Private View/**Christian Tyler**

The man who broke the Bank of England

George Soros is a speculator. He bet heavily against ERM and won $2bn. Now he is giving the money away.

WHEN A man makes so much money that he can afford to give away $250m it is no surprise to learn he has a theory about life.

George Soros, the Hungarian fund manager who broke the Bank of England in September and gave the Bosnian Muslims a $50m (£33.8m) Christmas present, is rather different. Not only is he one of the most successful financial speculators in history but in his case the theory came before, not after, the money-making.

Soros is a frustrated intellectual who once fancied himself a new Keynes or Einstein. As a youth in Nazi – and then Communist – Budapest, he was plagued by the philosophical problem of the subjectivity of human perceptions. He tried, and failed, to resolve the problem in a treatise called "The Burden of Consciousness".

Even before arriving in England at the age of 17 to study under him at the London School of Economics, Soros had felt the influence of Sir Karl Popper, the Viennese philosopher of science whose *Open Society and its Enemies* denounced Plato, Hegel, Marx and all historical determinism.

After an undistinguished merchant banking apprenticeship in the City and Wall Street, Soros found himself in charge of an investment portfolio and began to apply his ideas on human subjectivity to the market, anticipating the unexpected, betting against the conventional wisdom. At the same time, through making (and losing) money, he began to understand his own ideas better.

In 1969 he set up a private mutual fund, registered offshore in Curaçao in the Lesser Antilles, which he later called "Quantum" in apparent homage to the Indeterminacy Principle of quantum mechanics formulated by Heisenberg.

Soros admits that his philosophy is more of an approach than a scientific hypothesis, let alone a general theory. But he says it provides the connection between the way he makes money and the way he disburses it.

In human relations – in social science, economics – objectivity is a mirage and disequilibrium the natural state, he argues. Markets cannot properly discount the future because ideas about the future are biased. The value of collateral is changed by the fact of the loan against it. In other words, beliefs alter facts. This perception, Soros says, helps him both to make money and to target his donations in a way that will influence history in eastern Europe and Russia.

"My financial and philanthropic activities are based on the same philosophical idea about the relationship between participants' thinking and the situation in which they participate," he explained.

Soros predicted the 1987 stock market crash but lost $800m, a third of the fund's then value, by wrongly calculating that the crash would start in Japan. Last September he netted perhaps $2bn when he bet massively against the European exchange rate mechanism. Since 1979 he has spent some $100m to create his Open Society Fund, Soros Foundations and Central European University throughout the former Communist bloc. Another $100m went recently to support Russian science.

I asked him: is it harder to get rid of money than it is to make it?

"In my case it is."

Why is that?

"It seems to take more time and more energy. In making money you have a bottom line which gives you a pretty firm measure of success. But when you are trying to influence the shape of society you don't have a bottom line; and given that all actions have unintended consequences you certainly cannot measure success by the amount of money you give away – because that money can easily be wasted."

So what yardstick do you use?

"When I was confronted with closed societies the goal was simply to foster pluralism, to enable people to do things which were not centrally determined but autooomous and spontaneous. So we made small grants over a broad range. "The idea was very simple: that if you expose a dogma to alternatives, it will crumble, because it will be seen to be false once you have something to compare it with. That was the first phase.

"Then came the hard part. Because when the Communist system collapsed you then had tn engage in a much more laborious and in many ways horing process. You had to select key areas: the emphasis has heen on education, institution-building and the media, though there are arts programmes and other things."

So you won't buy into bus factories?

"Not at all – no Investments. In fact, I consider it a conflict of interest."

This was the philosophy, but it did not fully explain the motivation. George Soros agreed that he did not set out to make millions in order to do good works. The careers were consecutive: he went through a sort of crisis which ended with him delegating the fund management.

"By the end of the 1970s I was beginning to make more money than I thought I had a use for in my personal life. So I started thinking about what to do with it. I thought pretty hard and decided that what I cared about was this open society.

"It was a complicated psychological development. For me making money is not easy. To me it's always been a very painful process, very painful, involving great suffering, actually."

Painful in what way?

"Because if you lose money it's very painful and you can't make it without the threat of losing it. It'a by avoiding losing money that you make it, you see. For me, investment has always been a process of pain avoidance. Pain is at the core of the process. And in fact I am not willing to take the pain.

"I was disqualified by my success. I went *through a kind of internal* crisis around 1979-82, where I had to re-evalnate what I was doing."

You felt your life was hollow?

"No. It was a very simple quandary: am I the slave of my own success or am I the master of my own destiny? It really was a struggle between me as a person and my fund as an organisation. It was a struggle that I won and that my fund actually lost – and it was translated into a physical loss in 1981."

Although Soros is of Jewish descent – his father survived the Russian civil war as a prisoner in Siberia – his philanthropy does not "foster the tribal links". I asked if he saw himself as a sort nf Robin Hood, taxing the rich West to give to the poor East.

"Generally speaking, I am a critic. I am a critic of the processes. I am not an entrepreneur who builds businesses, I am an investor who judges them. My function in the financial markets is that of a critic and my critical judgments are expressed by my decisions to buy and sell. Taxation, levying, doesn't come into it."

Then are you paying a debt to society which has allowed you to take so much money from it?

"No, not in the least. I don't feel that at all. I do it because I am in a position to do it. I have the freedom and the means. I do it because I think it makes sense. I don't have any sense of guilt at all."

You have said you don't regard speculation as immoral.

"No, not at all. It's a profession – in America very highly respected, here less so. But it is a strictly professional activity."

Do you see it as gambling?

"*Not at all.*"

You wouldn't call it hedging, though, would you?

"Also not, no. It's genuine speculation, speculative investment. It's seeking a high return on capital."

Is it a necessary function of an open society to have people like you in it?

"I think it's a necessary function for financial markets. Basically, all investors are doing what I am doing. I'm doing it more aggressively and more to the point, more clearly recognising what the objectives are, which is to make money with money."

Do you spend money on yourself? You have four houses, I believe.

"I used to collect but actually I don't have great material needs. I like my comfort. But, really, I am a very abstract person."

Tinker, tailor, soldier, currency speculator

continued from page I

Reichstag 2002: Europe's money masters meet under German leadership to plot England's final defeat

Slyde was not like them. He had a face like a young crocodile, and a nose *for business*.

Slyde had made his name in privatisation. English banknotes, with the new dragon motif, were now printed in Hong Kong. What in the name of Montagu Norman was Slyde doing here?

On his ultra-sound intercept, Rathbone strained to pick up the conversation. Von Stahil's accented words sent fear jangling through him. "We are so pleased, Mr Slyde, that you agree our little plan. We sell all our English government bonds. The Commonwealth join us. Sterling sinks. We offer a conversion rate. 1 Mark for 35 English pounds. You *will* have a *seat* on the board! At last, true Europeans you will become! Your interest we have it, in our hearts!"

Von Stahil's eyes glistened, a sea of cunning; his words took on a pantomimic ring: "The time, Mr Slyde, we must fix. I opine: January 6!"

Rathbone reeled. That day, the markets would be preoccupied by the Wise Men's annual report. Central planoed to take over the pound! To force Englsnd into monetary union! To think that Slyde would descend to this treachery!

Suddenly, a *whiff of camphor told* Rathbone he was no longer alone. D'Exchange appeared in the doorway, flanked by Sellem Lowe, central's chief trader, hired from the City's vilest currency pits.

"My dear Rathone," intoned D'Exchange, "You are well beyond your limits. At this stage, intervention is *obligatory!*"

Rathbone winced at d'Exchange'a nasal drawl. "Lowe, deal with him!"

Grinning, Sellem drew his concealed hedging instrument. Crude. But highly effective. Rathbone was aware of mist descending, as sndenly as the stop of a heartbeat.

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The throbbing became less insistent. He was in Swapp's Bar! His old haunt, run by Karl Swapp, an ex-Polski Bank man, whose corpulent frame Rathbone could now discern, oozing like a flow of lava from a battered armchair.

Sum must have dragged him here with the aid of Marginali, the southern bank chief with a reputation for instability. Rathbona recognised the usual crowd. There was Vendor, the out-of-work Belgian bond salesman. Bleache, the sallow money laundering expert. Window, the Nederlandsche Bank functionary whose all-too-open discounting facilities had caused such trouble!

Swapp rolled over. "You haf problems, Mr Rathbone?" he inquired. "I know zese central bankers, zey all same. Since zey left gold standard, zey drifting."

Swapp spat: "Zey want to get you down! To discredit you! Zey want to crush your value!"

Weakly, Rathbone tried to realign his thoughts. He could try to make the Embassy at Karlshorst, but the road would be under multilateral surveillance. He could call up the old allies in Washington, but, of late, Reserve had turned to reluctance. He must get on to Slyde! But a stifled scream from Sum told him: again, too late!

"You always were a fool, Rathbone," the chief executive purred, striding into the dive, flanked by pink-coated henchmen. "Of course, we do not *act alone*. I am no more independent than the rest *of* them here. I was on the phone to the government at Blenheim Palace this morning. Do not believe the wording in the treaty. We all take instructions!"

Rathbone's brain flicked through all the training manuals he had ever read. If there was a time for a U-turn, this was it! He pictured Sum beside him at the Bank's safe house at Roehampton., All thought of rebellion ebbed away. He took the girl's hand, and led her from the bar. No-one intervened.

Outside, the traffic stilled. The countdown had already started. At least, they would never have to worry about exchange rates, any more.

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